

# Inter-American Dialogue

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### Featured Q&A With Our Board of Advisors

**Q** Dominicans will go to the polls on Sunday to vote for president, with ex-President Leonel Fernandez of the opposition PLD party enjoying a strong lead over incumbent President Hipolito Mejia going into the election. What are the stakes for the Dominican Republic of this Sunday's vote? Do you think Mejia will be able to force a second round?

**A** **Guest Comment: Rosario Espinal:** "After the 1994 electoral crisis, the Dominican Republic held fairly transparent and undisputed elections in 1996, 1998, 2000, and 2002. This year, however, fears of electoral fraud resurfaced as a result of several key factors: the Electoral Board is viewed as biased in favor of the ruling Dominican Revolutionary Party (PRD); Congress modified the Constitution in 2002 to allow presidential re-election in spite of strong opposition from a wide range of civil society organizations; scandals of corruption tainted the government; and President Mejia's faction within the ruling PRD, known as PPH, gained excessive control of the party machine, and a dubious party convention with no participation of other major contenders chose Mejia as presidential candidate. As Dominicans approach May 16, there are still major concerns about transparency in the upcoming elections. Many still think that Mejia will orchestrate a fraud before this is all over, at least to force a second round. But given the

size of the gap in electoral preferences, it will be difficult to do. Even if a second round takes place, Mejia is unlikely to collect enough votes to win because an alliance with the Reformistas is by now irrelevant, given how poorly Eduardo Estrella is doing in the polls."

**A** **Guest Comment: Ben Ramsey:** "Ongoing political uncertainty in the run-up to Sunday's vote has impeded the restoration of domestic confidence, which in turn  
*Continued on page 4*

### PHOTO OF THE DAY



Former Guatemalan dictator Efraim Ríos Montt—accused of being behind the murder of tens of thousands of Mayan Indians during his 1982-1983 rule—was placed under house arrest Thursday for allegedly causing the death of a journalist in July 2003. See related story on page 2.

Source: BBC.

### Inside This Issue

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## NEWS BRIEFS

**IMF Postpones Third Review of Argentina's Loan Program**

A third review of Argentina's \$13.3 billion loan program with the International Monetary Fund (IMF) has been postponed at Argentina's request. IMF spokesman Thomas Dawson said the review has been pushed back from this month to June. The delay was not "highly critical" and would give Argentina time to focus on "some particular issues" as well as on its debt restructuring offer, Dawson said.

Source: IMF.

**Oklahoma Governor Commutes Mexican's Death Sentence**

Oklahoma Governor Brad Henry on Thursday commuted the death sentence of a Mexican national. Henry, who changed Osvaldo Torres' sentence to life in prison without parole for his role in the 1993 murder of an Oklahoma couple, said Torres had not been notified of his right under the 1963 Vienna Convention to contact the Mexican consulate to seek legal representation. Mexican President Vicente Fox sent Henry a letter earlier this week asking him to commute the death sentence.

Source: Reuters.

**Judge Blocks Brazil's Expulsion of New York Times Reporter**

A Brazilian judge has temporarily blocked the government's expulsion from the country of *New York Times* reporter Larry Rohter. Rohter will have "safe conduct" in Brazil until the Supreme Justice Tribunal—the country's second-highest court—rules on the case. The government canceled Rohter's visa this week after he wrote an article about President Luiz Inacio "Lula" da Silva's alleged alcohol abuse.

Source: Reuters.

## Political News

**Guatemalan Judge Places Ex-Dictator Rios Montt Under House Arrest**

A Guatemalan judge on Thursday ordered that former dictator Efraim Rios Montt—accused of being behind the murder of tens of thousands of Mayan Indians during his 1982-1983 rule—be placed under house arrest for allegedly causing the death of a journalist in July 2003, Reuters reported. In what one prosecution lawyer called a "historic decision," Rios Montt will have to ask a judge's permission to leave his home in an upscale section of Guatemala City. Investigators have until September to decide whether to put Rios Montt on trial for the death of the jour-

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*Investigators have until September to decide whether to put Rios Montt on trial for the death of the journalist, radio reporter Hector Ramirez, who died of a heart attack while being chased by the ex-dictator's supporters.*

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nalist, radio reporter Hector Ramirez, who died of a heart attack while being chased by the ex-dictator's supporters. The supporters were demonstrating against a court case seeking to block Rios Montt's presidential candidacy. Ramirez's son has accused Rios Montt of inciting the demonstrators to violence. The former ruler of the Central American nation lost his parliamentary immunity from prosecution in January and is barred from leaving the country. Rios Montt also faces lawsuits in Guatemala and Spain for his campaign against leftist rebels in the early 1980s.

**US Senate Committee Examines Corruption in World Bank Projects**

The cost of corruption in World Bank projects may surpass \$100 billion, a US senator said Thursday, according to Reuters. During a Senate Foreign Relations

Committee hearing on corruption at multilateral development banks, Committee Chairman Richard Lugar (R-IND) cited experts who have calculated that misuse of World Bank loans for development projects since 1946 ranges between \$26 billion and \$130 billion. "... In the starkest terms, corruption has cost the lives of uncounted individuals contending with poverty and disease," Lugar said. World Bank spokesman Damian Milverton disputed an estimate by a Northwestern University professor that losses from corruption in Bank projects totaled \$100 billion, saying the estimate had "no basis in fact." The World Bank's US executive director, Carole Brookins, said the Bank was leading anticorruption efforts, although she acknowledged more could be done. Among projects under review by the Senate Foreign Relations Committee is the Yacyreta dam on the Argentina-Paraguay border.

## Company News

**US Lottery Firm Executives Likely Face Criminal Charges in Brazil**

US lottery operator **GTech Holdings'** top executives will probably face charges that they offered bribes to maintain business relations with Brazilian lottery figures, Reuters reported Thursday. In an annual filing released Wednesday, the Rhode Island-based company—the world's largest lottery operator—said it and the US Securities and Exchange Commission both had launched their own investigations of charges that GTech Brazil President Antonio Carlos Rocha and Marketing Director Marcelo Rovai improperly induced a 2003 contract extension with **Caixa Economica Federal (CEF)**, the bank operating Brazil's national lottery. The National Lottery of Brazil was GTech's largest customer in fiscal 2004, generating about 10 percent of its revenues. Federal prosecutors in Brazil have initiated a civil action against GTech Brazil to invalidate the 2000 contract and impose about \$650 million in penalties. GTech acknowledged the possibility of substantial monetary judgements and damage to its reputation. "An allegation or

finding of improper conduct that is attributable to us could have a material, adverse effect on our business, both within Brazil and elsewhere, including our ability to retain existing contracts or to obtain new or renewal contracts," it stated. On Wednesday, the company lost its online lottery contract in Puerto Rico—accounting for \$20 million of annual revenue.

### Argentine Congress Seeks Probe of Citigroup Accounting

Lawmakers from Argentina's ruling Peronist party have called for a probe of the accounting of US financial giant **Citigroup's** Argentine unit for \$2.2 billion in charges it took during the 2001-02 economic crisis, Reuters reported. The head of the Peronist bloc in Congress, Jose Maria Diaz Bancalari, requested a probe into Citigroup's operations since the fourth quarter of 2001. Bancalari's request will go to the lower house's finance committee. The announced probe follows news earlier this month that the US Securities and Exchange Commission was investigating the company's accounting for Argentine investments, business activities and bad loans during the last quarter of 2001 and first quarter of 2002. Argentina defaulted on an estimated \$88 billion in debt during the crisis, devalued its currency, and converted dollar debt into pesos, resulting in huge losses for foreign banks. Citigroup took \$470 million in pretax charges in Argentina—half for credit and securities losses and half for currency swings—and took \$1.7 billion in pretax charges in 2002.

### Home Depot Seeks to Boost Presence in Mexico with Acquisition

**Home Depot** said Thursday it was acquiring **Home Mart**—Mexico's number two home improvement retailer—to expand its Mexican presence, Reuters reported. Home Depot said the deal would add 20 stores to its current 19 stores in the country. **Home Depot Mexico** president Ricardo Salvador said the company is also building three more stores this year. The global home improvement retailing giant did not disclose the deal's financial terms, but said it would provide a stronger pres-

## The Dialogue Continues

*A continuation of the May 12, 2004 Q&A*

**Q** **US President George W. Bush last week announced measures aimed at hastening the fall of Cuban President Fidel Castro and his government. Do you believe the new measures will have a substantial impact on Cuba? Where do Cuba's relations with the rest of Latin America stand in the wake of the recent diplomatic spats with Mexico and Peru?**

**A** **Guest Comment: Steve Johnson:** "The Bush administration's 500-page study with recommendations for a new Cuba policy hit the streets minus the usual controversy, thanks to current events in the Middle East. But its emergence should be no comfort to the Castro regime. It recommends substantially increasing dollar amounts to channel aid to Cuban dissidents, independent journalists, and human rights activists. There would be a stronger effort to communicate with ordinary Cubans via Radio and TV Marti. Remittances would be more carefully controlled to keep them from aiding members of the regime or Communist Party organs. And academic exchanges would have to meet more stringent criteria—no more 'salsa tours' that bring in tourist dollars while providing US visitors only the merest contact with ordinary Cuban counterparts. Instead of tightening sanctions, it focuses them better. But the recommendations are also lacking. The emphasis on sanctions shows that the White House is still heavily influenced by Miami's

Cuban-American community. The report calls for \$18 million to buy an airplane to broadcast an unjammable TV Marti signal to Cuba. That kind of money might buy a couple of light twin-engine airplanes and a maintenance contract, but not much more. Providing a stronger TV signal will not come that cheap and may not be worth the effort without top-notch programming. The report does not directly address Castro's growing symbiotic relationship with Venezuelan president Hugo Chavez. Nor does it call for better intelligence collection so the US may know who is who during a transition. Overall, the embargo-centric nature of US-Cuba policy must be balanced by stronger reliance on other countries to punish Castro for his misdeeds and on efforts to uphold Cuba's budding democratic community. Already, the European Community and countries like Mexico, Peru, and Honduras are treating Castro like the rebellious adolescent he still is. They are calling attention to human rights abuses, limiting contact with him, trimming his credit, and visiting dissidents, who last year wrote and circulated Cuba's first comprehensive agenda for a democratic transition. There are many willing to share the load with the US in the fight for a free Cuba. The Bush administration should encourage them to contribute any way they can."

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**Steve Johnson** is a Latin America Policy Analyst at The Heritage Foundation.

ence in Mexico City and entries to seven new markets. Home Depot expects to open 185 stores this year, up from earlier forecasts of 175. According to Executive Vice President of Business Development Frank Blake, the company is focusing

growth outside the US on Canada and Mexico, where "the market is growing, and there's a large need for housing." Home Mart stores will convert to its buyer's brand, which has been in Mexico since June 2001.

**Featured Q&A***Continued from page 1*

inhibits both economic recovery and the government's capacity to resolve its ongoing financing difficulties. In the remainder of the year, the government faces the daunting tasks of: 1) fulfilling the commitments of its IMF Stand-By Arrangement (most importantly on the fiscal side, where deviations to date have delayed the program's second review); and 2) covering an estimated \$100 mil-

“It's a shame the election couldn't have happened sooner.”

– *John Price*

lion financing gap while attempting to avoid a sovereign debt restructuring, or in the worst case a default. Neither challenge is likely to be feasible without a positive 'confidence shock' and, critically, a related strengthening of the peso to levels closer to the 40 peso per dollar exchange rate assumed in the 2004 budget. A first-round victory by Leonel Fernandez could facilitate such a shock, as the former president would be afforded the necessary political capital to tackle the DR's challenges head on. On the other hand, the prolonged uncertainty associated with the need for a June 30 second round could exacerbate the already delicate situation. In either case, the transition period prior to the August 16 change of government might bring about difficulties in its own right, especially following a rather acrimonious campaign.”

**A Guest Comment: John Price:** "This election and Mejia's attempt at a second-term victory has succeeded only in delaying the inevitable bloodletting that must transpire in the Dominican Republic before the country can recapture investor confidence and grow out of this mess. The common belief from the street to Wall Street is that as long as Mejia remains in office, more scandal remains uncovered. A Fernandez victory will no doubt lead to further investiga-

tions, in part driven by political opportunism by the PLD, but also out of deference to the IMF and others who demand transparency from the government as a prerequisite for further lending. Having been smarted by the Argentines, the IMF is in no conciliatory mood and will lean heavily on the Dominican Republic. In a study conducted by InfoAmericas and its affiliate, the Economist Intelligence Unit, we predict the new government will be obliged to set up a banking superintendency, which will further be answerable to international oversight, as an important step to rebuilding confidence in the island's much tarnished banking industry. If the IMF stands its ground, then Fernandez is going to have to completely discard business as usual, *i.e.*, an uncoupling of the nepotistic ties between government and big business on the island. We still have not touched the bottom of this crisis. The fact that the Dominican Republic's economy will shrink further in 2004 is indicative of the fact that they've really delayed dealing with this in a transparent fashion. This election has postponed the necessary reform that needs to transpire before the country can rebuild itself. It's a shame the election couldn't have happened sooner.”

**Rosario Espinal** is a Professor of Sociology and Director of the Latin American Studies Center at Temple University.

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