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Featured Q&A With Our Board of Advisors

Q Mexico's attorney general last week asked Congress to strip the political immunity of popular Mexico City Mayor and presumed 2006 presidential candidate Andres Manuel Lopez Obrador in order to prosecute him for violating a court injunction ordering a halt to construction on city property. The attorney general's request raises the stakes in the confrontation between Lopez Obrador and the government of President Vicente Fox, with possible implications for the 2006 election. Where is this confrontation headed and what do you expect the fallout will be?

show some of the mayor's closest aides gambling for high stakes in Las Vegas and receiving what were supposedly unaccounted for campaign contributions in cash from a sinister character. That character subsequently was himself accused of fraud, and then turned around and accused city officials of extortion, fled to Cuba, and was deported back to Mexico—all worthy of a bestseller. But the mayor is not responding to the substance of those accusations nor to the substance of the ones having to do with the injunction: he just keeps characterizing himself as a target of

Continued on page 4

PHOTO OF THE DAY



Argentine President Nestor Kirchner is reportedly considering offering creditors a more generous debt restructuring plan. See related story on page 2.

Source: Casa Rosada.

A Guest Comment: Jose Angel Gurria: "The matter is a relatively simple one: the attorney general contends that there has been a violation of an injunction and the mayor of Mexico City claims that that is not the case. Justice will tell. The law is clear. If there was, and he is found guilty, he will have to pay, and his presidential aspirations will suffer. It is unfortunate that the issue is being presented as a political confrontation because that is precisely what the mayor has been saying: that he is the victim of a conspiracy to derail his presidential ambitions, in which the co-conspirators are the CIA, Former President Salinas, Senator Fernandez de Cevallos, the ministry of the interior, the attorney general, the president himself, and a few others. This is in response to recently disclosed videos that

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NEWS BRIEFS

Peruvian Exports Rise 32 Percent in April on Increased US Demand

Peru's exports grew 32 percent in April from the same month of 2003 on higher sales to the United States. Exports for the month totaled \$841 million, with the US accounting for \$209 million—48 percent higher than a year ago. Trade Minister Alfredo Ferrero said that with exports of \$3.5 billion through the first three months of the year, Peru could beat its 2004 export target of \$10 billion.

Source: Reuters.

Larger Numbers of Hispanic Voters Seen in US Presidential Election

A record seven million Hispanics, or 6.1 percent of the electorate, will vote in the US presidential election in November, according to a study released Tuesday by the National Association of Latino Elected and Appointed Officials Educational Fund (NALEO). That would be up from six million voters in the 2000 presidential contest. Political analysts believe the need by presidential candidates to secure Hispanic votes can play an important role in shaping US policy toward Latin America on issues such as immigration.

However, NALEO said Hispanic voters are also worried about more mainstream voter issues such as education, health care, and the economy.

Source: NALEO Educational Fund.

Brazil Jobless Rate at 13.1 Percent

Unemployment in Brazil rose from 12.8 percent in March to 13.1 percent in April, a two-and-a-half year high. It was also the fourth straight monthly increase. While the number of people working rose 2.5 percent from April 2003, the average inflation-adjusted wage fell 3.5 percent.

Source: IBGE.

Economic News

Argentina Looking to Save Face While Offering More to Creditors

A possible new restructuring plan for Argentina's \$99.4 billion in defaulted debt would offer more to creditors, but would also allow the government to "save face" domestically, according to an analyst who spoke with the *Advisor* on Tuesday. Theresa Paiz Fredel of **Fitch Ratings** said the new offer, which would reduce the "haircut" creditors receive from about \$66 billion to between \$44 billion and \$50 billion, could allow President Nestor Kirchner to "save face" politically. Argentina's *Clarín* reported yesterday—without revealing its source—that the government will soon propose a new plan that retains the much maligned original offer's

Argentina's new debt restructuring offer would reduce the "haircut" creditors receive from about \$66 billion to between \$44 billion and \$50 billion.

25 percent payout on the defaulted bonds, but would calculate that payout based on the bonds' market value rather than their net present value (NPV). As a result, Paiz Fredel said, creditors would receive more than originally offered, but Kirchner could tell Argentines it was still a significant haircut. Kirchner is very popular among Argentines, in part due to his tough stance with creditors in debt restructuring negotiations. The possible new offer, which *Clarín* said was suggested by banking advisors **Merrill Lynch, Barclays, UBS, Banco de la Nación, Banco Frances, and Galicia**, would also include shorter terms of payment, higher interest rates, and an extra coupon tied to Argentine economic growth. The Argentine economy is growing at a rate of 10 percent this year, beating forecasts of 7.4 percent growth. A spokesman for the ministry of economy, Armando Torres, declined to comment on *Clarín's* report. The news sent Argentina's highly-traded 7 percent bond up 2.25 cents on the dollar to 29.75, its biggest advance in 14 months, according to Bloomberg News.

Political News

Venezuela to Let OAS, Carter Center Observe Signature Verifications

The Organization of American States and the Atlanta-based Carter Center will be permitted to observe the verification of signatures for a petition seeking a recall referendum on President Hugo Chavez, an OAS official said Tuesday, according to Reuters. Fernando Jaramillo, head of the OAS electoral mission in Caracas, said the decision was made after a dispute with Venezuela's National Electoral Council (CNE)—which is overseeing the referendum process—was resolved. Electoral officials had accused the OAS and Carter Center of favoring the opposition, and threatened to exclude them from observing the five-day verification process, slated

to begin tomorrow. Opposition supporters will have until Monday to confirm the validity of over one million disputed signatures. The opposition needs about 525,000 signatures to be declared valid in order to reach the minimum 2.4 million signatures legally required to trigger the referendum.

Brazil Faces Hurdles Before Selling Uranium to China

Brazil is studying the possibility of selling enriched and unprocessed uranium to China, but does not have the technological capacity or legal authority to do so immediately, Science and Technology Minister Eduardo Campos said Tuesday, according to Reuters. Campos told reporters in Shanghai that Brazil will not have the technological capacity to produce enriched uranium until 2008. In addition, Congress would have to amend Brazilian law in order for Brazil to sell unprocessed uranium to a foreign country, Campos said. The minister is in China as part of a delegation of Brazilian officials and business leaders

accompanying President Luiz Inacio "Lula" da Silva on a mission to boost economic and business ties between the two developing world giants. In a statement, the Brazilian government said it would study the possibility of cooperating with China on the use of nuclear energy for peaceful purposes. A ministry spokeswoman said the sale of uranium to China would go toward funding Brazil's nuclear power program. Brazil needs \$1.8 billion to finish its third nuclear energy plant. Brazil, which has the world's fourth-largest reserve of uranium, is prohibited by its own Constitution from possessing nuclear weapons. However, it is resisting demands from United States and the International Atomic Energy Agency that it open up its nuclear program to surprise inspections.

Peruvian Government May Declare State of Emergency in Ilave

The Peruvian government might declare a state of emergency in a southern border town where police and soldiers—sent to restore order after the killing of the town's mayor last month by an angry mob—have faced violent protests, Reuters reported Tuesday. According to the interior ministry, police reopened roads in Ilave, an impoverished town near Lake Titicaca, but demonstrators soon attacked army trucks patrolling the streets. "Ilave has witnessed more than a month of disturbances and we are considering declaring a state of emergency," an interior ministry spokesman said. A state of emergency would allow the government to suspend some constitutional rights and would eliminate the need for search warrants. In the meantime, security forces in Ilave will be bolstered by an additional 1,000 soldiers and 1,000 police in the next several days. "Given the unjustified attacks by some townspeople we have decided to reinforce the police," said Deputy Interior Minister Richard Diaz. The town's mostly Aymara Indian population launched violent protests last weekend to demand the release of Ilave's deputy mayor, who stands accused of organizing the beating to death of Mayor Cirilo Robles on April 26. Thousands of Aymaras had accused Robles of embezzlement.

Advisor Profile

Celso Amorim

Editor's note: Brazilian President Luiz Inacio "Lula" da Silva led a large delegation to China this week on a mission to promote closer economic and business ties between the two developing world giants. Accompanying Lula and a key force behind those efforts is Foreign Minister Celso Amorim. Below is a profile of the longtime diplomat.

Name

Celso Amorim

Background

Born June 3, 1962 in the city of Santos, in Sao Paulo state.

Attended the Brazilian Diplomatic Academy at the Rio Branco Institute from 1963-1964, followed by postgraduate work at the Diplomatic Academy of Vienna and the London School of Economics and Political Science, where he received his doctorate in 1971.



Photo: foreign ministry.

Career Highlights

In 1991, Amorim was appointed ambassador for the Permanent Mission to the United Nations, GATT, and the Conference on Disarmament in Geneva, beginning his career as a diplomat.

As minister of foreign relations from 1993 to 1994, he improved relations with other Latin American countries, paving the way for the implantation of the Mercosur trade agreement with Brazil, Argentina, Paraguay, and Uruguay in 1995.

Amorim also represented Brazil at the World Trade Organization in Geneva for two years. There, he orchestrated the protests of Brazil, India, and a number of developing African countries to overturn rules that prevented their nations from importing and exporting inexpensive drugs.

Amorim returned as foreign minister in January 2003 under President Luiz Inacio "Lula" da Silva. At WTO trade talks in Cancun, Mexico last fall, Amorim organized the Group of 20 developing nations (G-20). The G-20 has relentlessly pushed the United States and European to reform their agricultural export programs, which Amorim argues distort market prices and block developing nations from the market.

Notes

Amorim's approach to foreign policy has been defined by attempts to unite the world's developing nations to compete and act as a counterweight to rich nations.

Upon taking office as foreign minister on January 1, 2004, Amorim said Brazil would pursue a foreign policy "focused on development and for peace, which will endeavor to reduce the gap between poor and rich nations, to promote equality among nations and the effective democratization of the international system."

Critics, however, question whether Amorim has risked Brazil's industrial products by focusing on agriculture, and has unnecessarily chafed the US with his continued emphasis on peaceful resolution of conflicts.

Source: Ministry of Foreign Relations, Boston Globe, Folha de Sao Paulo

Featured Q&A*Continued from page 1*

the above-mentioned conspiracy, and leveraging the story to extract political gain. Things will get tense; they already are, because the PRD has announced a 100-day campaign in support of the mayor, and if he is found guilty there will probably be even more tension. But regardless of the politics, the way out is easy: prove that you didn't violate the injunction; show where the monies went; prove that no violation of the electoral laws happened; and that, if there was anything untoward, you want the culprits punished. It is easier than raising the ghost of a cheap plot, regardless of the many people who may be concerned with the prospect of the mayor gaining more political strength."

A Board Comment: George W. Grayson: "Two theories swirl around the drive to strip Lopez Obrador (AMLO) of his immunity in order to prosecute him for allegedly defying a court injunction. One is that Attorney General Rafael Macedo de la Concha had no option. If he had not pursued AMLO, the property owners affected by the ignored injunction could have charged him with dereliction of duty. The other is that the Fox team has decided to play hardball. For several years, the administration vacillated between propitiating its nemesis and going after the PRI's jugular. It has paid two prices for doing neither effectively: 1) legislative gridlock and 2) Fox's becoming a political dead duck. PAN leaders hope to remove AMLO's protection. If he is successfully prosecuted, the Senate could oust him from city hall. If, however, his case is still hanging fire on January 1, 2006, the Constitution (Art. 38) would bar his presidential candidacy. AMLO claims he is the subject of a 'conspiracy' hatched by advocates of neoliberal economic policy that help only the rich. He has excoriated these fat cats who are 'veritable white-collar plunderers.' Indeed, he has played the victim with the verve of Olivier portraying Hamlet. Respondents in the DF (70 percent) and nationally (65 percent) tell pollsters that the attorney general's initiative is 'politi-

cally motivated.' The populist has also announced a referendum so that people can 'decide' his fate. For the moment, he is discouraging demonstrations that might 'destabilize' the nation. Unless the PAN administers the *coup de grace*, Lopez Obrador (who still leads Santiago Creel and Roberto Madrazo in the presidential horse race) may emerge from the maneuver as a martyr whose willingness to suffer for the masses entitles him to the presidency. Meanwhile, PRI deputies remain divided: Madrazo's Machiavellians would like to see AMLO weakened but not killed, lest his anti-PRI followers shift to the PAN."

A Guest Comment: Jesus Silva Herzog: "This is another political scandal that has invaded the public atmosphere in Mexico during the last five months. It seems that the federal authorities have acted quite severely and without looking to some alternatives to solve a real problem of the mayor of Mexico city disobeying a court injunction. One the other hand, Mr. Lopez Obrador has reacted, as usual, by citing a conspiracy involving the federal government. The confrontation between him and the Fox administration is a very risky situation. A special commission of the chamber of deputies has the responsibility to decide if prosecution of Mr. Lopez Obrador is justified and legal. It is a fireball. Whatever the outcome, all the parties involved are going to be negatively affected. The essential problem, in my view, is that this is another development that is polarizing Mexican society at a moment in which what we need is precisely the contrary."

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

George W. Grayson is a member of the Advisor board and a Professor of Government at The College of William & Mary.

Jesus Silva Herzog is former Mexican Ambassador to the United States.

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