

Inter-American Dialogue

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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 head of the US Southern Command (SouthCom), Army Gen. James T. Hill, last month announced his retirement from active duty. What are the main security challenges in the region for Gen. Hill's successor, Army Lt. Gen. Bantz J. Craddock? Does a more active Brazil (leadership of peacekeeping operations in Haiti, planned aerial interdiction of drug planes over Brazil) complement US security efforts in the region?

A Guest Comment: Ambler Moss: "Following the terrorist attacks of September 11, 2001, Latin America fell again into a backwater in US policy priorities. Southcom is well placed to counterbalance this neglect. General James T. Hill has been notably active in winning friends all around the region and in bringing the issues of the Hemisphere to Washington's attention. Openly expressing sensitivity to the region's top problems as seen by its inhabitants builds goodwill and should continue. General Hill stated to a Miami conference last March that the 'greatest threat' to the region was poverty, saying that 'nearly half of Latin America and the Caribbean is mired in poverty.' Poverty and corruption, he said, hold back the consolidation of democracy and growth of economies. General Hill's successor should continue this approach. Latin America's military, once part of the problem, now is part of the solution to consolidating democracy. Their

defense expenditures are modest, less than 4 percent of the world's total. They also support world peace. Twelve Latin American countries have nearly 3,000 troops in UN-sponsored peacekeeping missions. Brazilian leadership in the peacekeeping mission to Haiti, and Chile's early involvement there are examples of growing hemispheric cooperation. So is the Brazilian aerial interdiction of drug smuggling planes. Hard-core security problems such as drugs, international crime, the problems of Colombia and the 'lawless areas' will plague the Hemisphere for some time. The key is enhanced multilateral

Continued on page 4

PHOTO OF THE DAY



Venezuelan President Hugo Chavez yesterday rallied his supporters in Caracas ahead of this Sunday's recall referendum, saying a vote against the recall would be a vote against "US imperialism." See related story on page 2.

Photo: Venezuelan government.

Inside This Issue

FEATURED Q&A: What Are the Main Security Challenges in the Region for Southcom?.....	1
Pro-, Anti-Chavez Groups Stage Competing Rallies on Recall Vote.....	2
Meirelles Says He Won't Resign	2
Toledo Inaugurates Supply of Camisea Natural Gas	2
Chevron Texaco Proposes \$6 Billion Oil Upgrade Project in Venezuela	3
The Dialogue Continues: Will Accusations of Drug Trafficking Hurt Alvaro Uribe?	3

NEWS BRIEFS

Argentina's Acindar Posts 244.1 Million Peso H1 Profit

Argentine steelmaker **Acindar** reported a first-half net profit of 244.1 million pesos (\$US 79.5 million), down 31 percent from the same period of 2003. Acindar attributed the decline mostly to taxes on of 117 million pesos. Net sales totaled 922.5 million pesos, up from 625.7 million pesos a year ago. The firm produced 606 tons of steel during the first half, of which 84 percent was sold on the domestic market.

Source: company statement.

Terrorist Group Issues Last Warning to El Salvador

A group claiming to have ties to al Qaeda on Sunday issued what it called its last warning to El Salvador against sending troops to Iraq. "This is our last warning and what will follow in the next days will be a response to your bragging and the bragging of your president. Keeping your soldiers in Iraq will mean a bloody war in the face of each national of El Salvador," the Mohammed Atta Brigade-al Qaeda of Jihad said in a statement. President Antonio Saca plans on sending a new contingent of 380 troops to Iraq later this month.

Source: Reuters.

TMM Debt Swap Successful

Mexican shipping company and railway operator **Grupo TMM** said Friday that creditors holding some \$382 million in 2003 and 2006 bonds had agreed to exchange the debt for new notes due in 2007. The debt swap is seen as an important step in TMM's struggle to pull out of a deal to sell its stake in rail venture **TFM** to the US' **Kansas City Southern**.

Source: company statement, Reuters.

Political News

Pro-, Anti-Chavez Groups Stage Competing Rallies on Recall Vote

Supporters and opponents of Venezuelan President Hugo Chavez attended competing rallies Sunday, with just a week remaining before an August 15 recall referendum against the fiery leader. Addressing a crowd of hundreds of thousands in Caracas, Chavez said a "no" vote not to recall him would constitute a rejection of "US imperialism" and warned the US government that his defeat in the referendum could lead to violence and instability in the country, the third-largest supplier of oil to the US, Reuters reported. "Only we can guarantee peace," Chavez said at the rally. Chavez has accused the US of meddling in Venezuela's affairs—a charge the Bush

Meirelles Says He Won't Resign

Meirelles Brazilian Central Bank President Henrique Meirelles said Friday he has no plans to resign in the face of accusations of tax fraud. "I have not thought of leaving," Meirelles told Reuters, claiming he had the support of President Luiz Inacio "Lula" da Silva and Finance Minister Antonio Palocci. The Central Bank chief's statements followed fresh allegations in weekly Brazilian news magazine *Veja* that Meirelles, a former top executive at **FleetBoston Financial Corporation**, moved \$50,000 from an undeclared US bank account into another US account held by money-changers under investigation for money laundering. Earlier this month, separate allegations arose claiming Meirelles filed contradictory tax returns. He has said he made proper tax declarations before and after moving back to

“The political outlook for Venezuela, regardless of which side wins next weekend’s referendum, is likely to be acceptable to investors in the current environment of high oil prices.”

- Bear Stearns Andean analyst Jose Cerritelli

administration denies—and threatened to cut off oil supplies. On the other side of Caracas, the opposition held concerts and urged a "yes" vote against Chavez. To unseat Chavez, more Venezuelans must vote against him than those who participated in the 2000 election. If the opposition is successful, new elections must be held within 30 days. If not, Chavez will remain in power until the next regular presidential election in December 2006. In a research note published this morning, **Bear Stearns** Andean analyst Jose Cerritelli said Chavez was likely to survive the referendum, but that the outcome may not so important, as far as investors are concerned. "The political outlook for Venezuela, regardless of which side wins next weekend's referendum, is likely to be acceptable to investors in the current environment of record high oil prices," Cerritelli wrote. [Editor's note: look for a Q&A on the August 15 referendum in this Friday's issue of the *Latin America Advisor*.]

Brazil from the United States in 2002. Meirelles has also denied all knowledge of the firm of money-changers. Some opposition leaders are demanding Meirelles resign, and ruling Workers' Party leaders claim the accusations are aimed at discrediting the government ahead of October municipal elections. Brazilian news service Agencia Estado reported Sunday that Lula plans to go on television this week to indirectly defend Meirelles by touting the Brazilian economy's recent positive results.

Economic News

Toledo Inaugurates Supply of Camisea Natural Gas

Peruvian President Alejandro Toledo on Friday inaugurated the supply of natural gas to Lima from the country's Camisea fields, Reuters reported. "Mission accomplished," Toledo declared in a speech to

ministers, project financiers, and Camisea company executives. "Our gas is now here, for the benefit of millions of Peruvians across the country." Starting today, several companies will receive the gas, and some 70,000 business and residential properties are expected to receive the gas by 2009, halving fuel costs. Peruvians hope the \$1.6 billion Camisea project will help lessen the country's dependence on hydrocarbon imports, which total \$700 million per year. The government says the project will lower electricity bills by 20 percent and reduce companies' energy costs by as much as 50 percent. Over the next 30 years, the project is expected to result in energy cost savings of \$4.1 billion. "This is what we have promised and we have complied," said Toledo. "I have worked as if I were a shareholder in this project. I am not, but the people of Peru are." Peru also plans to export \$750 million per year in gas to North America, starting with sales to Mexico by 2009. US energy company **Hunt Oil** is leading the **Peru LNG** consortium that will manage export operations. The consortium also includes South Korea's **SK Corp.** The Camisea project has a life expectancy of 40 years. Despite hopes of immediate benefits for Peruvians, an executive at **Tractebel Electricity and Gas International**, a unit of France's **Suez**, has said it will take time for the benefits of domestic natural gas supplies to have an impact. "The development of gas conversion takes time," said Tractebel EGI CEO Dirk Beeuwsaert, according to Reuters.

Company News

ChevronTexaco Proposes \$6 Billion Oil Upgrade Project in Venezuela

US oil company **ChevronTexaco** on Friday proposed a \$6 billion project to upgrade Venezuelan extra heavy oil to lighter, synthetic crude for export, Reuters reported. Under the proposal, the upgrade of the extra heavy oil from Venezuela's eastern Orinoco Faja region would produce 200,000 to 400,000 barrels per day of high-quality synthetic crude and products, according to Ali Moshiri, ChevronTexaco's president for Latin

The Dialogue Continues

A continuation of the August 5, 2004 Q&A

Q The most recent issue of *Newsweek* magazine quotes a 1991 US Defense Intelligence Agency report that linked Colombian President Alvaro Uribe, at the time a senator, to drug trafficking and said Uribe was a "close personal friend" of notorious drug lord Pablo Escobar. Do you expect the allegations, which surfaced previously during Uribe's 2002 presidential campaign, to hurt him politically in Colombia? Will US backing for Uribe be affected by the findings of the 13-year-old report?

A **Guest Comment: Bruce Bagley:** "The recent publicly recycled accusations against President Alvaro Uribe about his alleged complicity with Pablo Escobar and the Medellin cartel are nothing new. They resurfaced now because the Washington-based National Security Archive (an NGO) availed itself of the Freedom of Information Act to obtain these documents from the US government. It is possible that Uribe had some dealings with Pablo Escobar and his henchmen either in the context of their shared interests in Paso Fino horses or via mutual involvement in the Liberal Party in Antioquia in the early 1990s. But there is no credible evidence in the newly released documents proving that President Uribe was in any way directly involved in the drug trade or that he was an associate of Don Pablo and his

criminal drug trafficking ring. Indeed, Uribe's record in the Colombian presidency since August 7, 2000—one of more extraditions to the United States of Colombian drug capos with less fanfare than any other president in Colombian history—proves beyond a shadow of a doubt that he is not beholden to Colombia's old drug lords. In my view, Uribe's Achilles heel is not to be found in the unconfirmed and highly dubious ten-year-old rumors about his supposed relationship with the deceased Pablo Escobar and his gang. Rather it is his present willingness to negotiate effective amnesty for Colombia's paramilitary chieftains who unquestionably were and are involved in large-scale drug trafficking, and whose paramilitary bands of thugs have been responsible for countless atrocities and massacres in war-torn Colombia over the last two decades. If Uribe is to be held to account, either by Washington or by the international community, it will not—and should not be—for baseless accusations from the past, but rather for his willingness today to turn a blind eye to drug thugs and mass murders from the paramilitary right."

Bruce Bagley is a Professor of *International and Comparative Studies* at the University of Miami.

America. Oil Minister Rafael Ramirez said it was not clear whether the US oil firm would partner with state-owned **Petroleos de Venezuela** (PDVSA) or invite other partners to participate in the project. Some companies say that such projects are viable under Venezuela's 2001 hydrocarbons law if they are allowed to tie

into existing infrastructure. ChevronTexaco is already partnered with PDVSA in one extra heavy oil project, Hamaca. Venezuela is seeking greater participation in its oil sector to boost production to 5 million barrels per day by 2009 from 2.5-3.1 million barrels per day currently, according to Reuters.

Featured Q&A*Continued from page 1*

cooperation, in which Southcom can play a creative role."

A **Guest Comment: Gabriel Marcella:** "The new commander of Southcom inherits the same melancholy brew that characterizes the Latin American scene: terrorism, drug trafficking, a doleful blend of crime and violence, along with popular frustration with democratic governance as poverty hovers at 44 percent of the region's population. In sum, Latin American societies are more insecure than ever. Support for Colombia will still occupy center stage for General Craddock. Brazil's role in Haiti, much like Argentine and Chilean support, is welcome, as is Brazil's new air interdiction policy for narco flights, regional security, and burden sharing. However, the bad news is that the United States will no longer pay for the scholarships of Brazilian military personnel to attend US military schools. Reason: Brazil has refused to conclude an Article 98 agreement with the United States to guarantee that US military personnel would be free from the jurisdiction of Brazilian courts. US law mandates the cutoff. At a time when pessimism about the future of Latin America abounds north and south, General Hill, in various congressional testimonies, has done a splendid job of articulating a strategic vision for the United States in Latin America and the urgency for sustained attention. He has also been an effective advisor to the Colombian defense community on military strategy. The agenda for his successor is immense and complex, with no short-term solutions. It includes developing some new thinking on how the police forces and the military can work together to provide security for Latin America's feeble democracies."

A **Guest Comment: Eric Farnsworth:** "General Hill has proven to be an adept manager of Southcom as a command and also of the defense relationships in the Hemisphere. He will leave a legacy of

increasing regional defense cooperation within his area of command, including multinational peacekeeping in Haiti with the participation of Brazilian, Canadian, and Chilean troops, and increasing cooperative exercises such as the US-Panama-Chile effort to protect the Panama Canal. Additionally, management of the security crisis in Colombia has taken significant effort and is clearly showing results. These are important steps, and should not be underestimated. Still, the incoming commander will have numerous challenges. First and foremost will be to educate official Washington, and Congress in particular, as to the specific threats to national security arising from the region, among them the reliability of the energy supply, border security (terrorism, illegal narcotics, alien smuggling), and even the renewed potential for nuclear proliferation from Brazil. In the region itself, General Craddock will have an excellent opportunity to continue the work of his predecessors in supporting efforts to rationalize national militaries to focus on global and regional peacekeeping, border security, and disaster relief, and to throw a spotlight on the direct relationship between personal and physical security, investment, and development, a key to regional success."

Ambler Moss is a Professor of *International Studies at the University of Miami and is a former US Ambassador to Panama.*

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