



# Inter-American Dialogue

## LATIN AMERICA ADVISOR

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

**Q** US President George W. Bush has ordered the withdrawal of US support for \$250 million in loans for Venezuela from international organizations because of Venezuela's alleged role in the international trafficking of women and children for sexual exploitation. Is such trafficking a serious problem in Venezuela? Is Bush's order politically motivated, i.e. the result of US distaste for the government of Venezuelan President Hugo Chavez?

**A** **Guest Comment: Michael Shifter:** "Human trafficking is indeed a serious problem, and to its credit the Bush administration has made it a high priority. But it is a serious problem throughout much of the world, Latin America included. Venezuela is an offender, as the Venezuelan government itself has acknowledged. But there is no convincing evidence Venezuela's record is any more egregious than the records of a number of other countries in the region. The decision appears politically motivated, made perhaps to appease some hardliners in the Bush administration and silence critics unhappy with the outcome of last month's recall referendum, which ratified Hugo Chavez's mandate. Whatever the motivation, the sanctions will amount to no more than a pinprick, and will not reduce trafficking or make Chavez more democratic. Rather, it will succeed only in irritating the Chavez government and

inducing other Latin American governments to vote in favor of the loans—if only to get back at the United States. This is a pity, and a lost opportunity. This is precisely the moment when the US government should stop reacting to every turn in the Venezuelan drama, and instead step back and think through a longer-range strategy, together with other Latin American countries also concerned about ominous political scenarios in Venezuela."

**A** **Board Comment: Donna Hrinak:** "Trafficking of persons, particularly of women for prostitution, is a serious problem in Venezuela as

*Continued on page 4*

### PHOTO OF THE DAY



Brazilian President Luiz Inacio "Lula" da Silva greeted Japanese Prime Minister Junichiro Koizumi yesterday in Brasilia. The two leaders are seeking to expand economic ties.

*Photo: Agencia Brasil.*

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## NEWS BRIEFS

**Mobile Phones in Use in Brazil Totaled 57 Million in August**

The number of mobile phones in use in Brazil rose from 55.2 million in July to 57 million, or 31.8 phones per 100 inhabitants, in August, telecommunications regulator Anatel reported Thursday. Anatel projects that Brazil will end 2004 with a total of 62.8 million mobile phones in use, propelling the country from seventh place to fifth place worldwide in terms of number of mobile phones. Anatel said that given historic strong sales in the second half, the number of mobile phones in use in Brazil could rise to as much as 69.8 million.

Source: Anatel.

**Argentina's Tenaris to Buy Power Plant in Italy**

Argentine steel pipe maker Tenaris said Thursday its board of directors had approved the purchase of a gas-fired heat and power plant in Dalmine, Italy for 109 million euros (\$US 130 million). Tenaris said its pipe operations in Italy will consume some 60 percent of the power generated by the plant, with the excess power to be sold to third-parties and the heat sold for district heating.

Source: company statement.

**Colombia Swaps \$530 Million Worth of 2005 Debt**

The Colombian government on Thursday swapped 1.34 trillion pesos (\$US 530 million) worth of TES peso-denominated bonds coming due next year for new TES bonds due in 2007 and 2009. The government, which had originally aimed to exchange just 800 billion pesos, said the swap will reduce its debt service costs for next year by 13 percent.

Source: Reuters.

**Political News****US Investigating Whether CIA Lied to Lawmakers on Peru Drug Program**

The US Justice Department is investigating whether mid-level officials at the Central Intelligence Agency lied to Congress about the US' aerial drug interdiction program in Peru, Reuters reported, citing unnamed government sources. It was not clear what the CIA officials were suspected of lying about when testifying before congressional oversight committees. Senate Majority Leader Bill Frist (R-TN) had said in July that "the Justice Department is reviewing the testimony and briefings that CIA personnel gave to the congressional oversight committees, including the Senate Intelligence Committee, from the inception of the air interdiction program." The program, launched in 1995, was suspended in April

South America and Mexico, the White House said in a press release.

**Company News****Spain's BBVA to Buy Mexican Mortgage Bank for \$375 Million**

Banco Bilbao Vizcaya Argentaria (BBVA) announced Thursday it would buy Hipotecaria Nacional, a major Mexican specialty mortgage bank, for \$375 million. Spain's second-largest bank plans to implement the purchase through its Bancomer unit, Mexico's largest commercial bank in terms of assets, Bloomberg News reported, citing BBVA's communications with regulators. The move is part of BBVA's strategy to take advantage of Mexico's fast-growing mortgage market and expand its base of US customers who transfer earnings home to Mexico. In addition, the bank aims to gain clients among

*The US aerial interdiction program in Peru was suspended in April 2001 after a Peruvian jet shot down a small aircraft it mistook for a drug plane, killing a US missionary and her daughter.*

2001 after a Peruvian jet shot down a small aircraft it mistook for a drug plane, killing a US missionary and her daughter. The Peruvian jet had been alerted to the presence of the missionary plane by another plane carrying a CIA-contracted crew and Peruvian liaison officer. In related news, President George W. Bush said Thursday that 14 Latin American and Caribbean countries—The Bahamas, Bolivia, Brazil, Colombia, the Dominican Republic, Ecuador, Guatemala, Haiti, Jamaica, Mexico, Panama, Paraguay, Peru, and Venezuela—were on a list of countries identified as major drug-transit or major illicit drug-producing countries. The annual review of countries' efforts to fight the drug trade found that Haiti's interim government has undertaken "substantive-if limited" actions against the drug trade, "in sharp contrast to the government of Haiti's dismal performance last year under the Aristide regime." The "vast majority" of illegal drugs entering the US come from

blue-collar home buyers in Mexico and the US through its acquisition of Hipotecaria Nacional, a pure mortgage lender focusing on this sector. Through its New York and San Diego offices, Hipotecaria, which has 79 branches, already lends to millions of Mexicans living in the US. "We want to be present in all of the southern United States," BBVA Chairman Francisco Gonzalez said in Madrid yesterday. "The states with Hispanic influence are the ones with the greatest growth and technological development," he said, highlighting the potential of the growing US Hispanic population for the mortgage market. Mortgage lending in Mexico grew 18 percent this year through July, and BBVA expects its mortgage market share in the country to increase to 26 percent after acquiring Hipotecaria Nacional. Mortgages account for less than 15 percent of the total Mexican loan market. Bancomer expects to complete the transaction by the first quarter of 2005.

## Colombia Seizes Drug Stores Suspected of Money Laundering

The Colombian government on Thursday seized hundreds of drug stores belonging to the **Drogas La Rebaja** chain on suspicion of money laundering for the Cali cocaine cartel, Reuters reported. The chain's 432 stores will continue to be run by employees, but under government supervision, following what one unnamed federal prosecutor cited by Reuters called the biggest property seizure in Colombian history. A team of 465 prosecutors, 3,000 police, and 20 accountants, are participating in the seizure. Cali cocaine cartel drug bosses founded the chain, valued at about \$215 million, in the 1980s. It sold the chain to employees in the mid-1990s, but authorities have said the stores have continued to launder drug money.

## Petroecuador Files Legal Complaint Against Occidental

Ecuadorean state-owned oil company **Petroecuador** on Thursday filed a legal complaint against US oil firm **Occidental**, alleging breach of contract, Reuters reported. Petroecuador accuses Occidental of failing to get appropriate authorization to transfer a 40 percent stake in its Amazon jungle Block 15 operations to Canada's **EnCana Corp.** Occidental, which denies any wrongdoing, has 10 days to respond to the complaint. Ecuador's energy ministry and attorney general have been pressuring Petroecuador to end Occidental's 1999 oil production contract because of the alleged violation. The accusations against the US oil firm have fueled speculation that the government is retaliating in response to Occidental's claim for a \$75 million tax refund, awarded by an international arbitration panel in July. The government denies any connection.

## Economic News

### Brazilian Senate Delays Vote on Genetically Modified Foods

Brazil's Senate on Thursday postponed until next month a vote on a bill regulat-

## Subscriber Notice

*The Inter-American Dialogue will Host a Breakfast Discussion with*

**H.E. Enrique Bolanos**  
**President of Nicaragua**

Friday, September 24, 2004  
8:30 - 9:45 a.m.

Inter-American Dialogue  
1211 Connecticut Ave. NW Suite 510  
Washington, DC

RSVP to: [meetings@thedialogue.org](mailto:meetings@thedialogue.org).

ing genetically modified (GM) foods, Reuters reported. After the bill failed to come up for a vote due to a lack of quorum, Senator Aloizo Mercadante, an ally of the government of Brazilian President Luiz Inacio "Lula" da Silva, said the Senate would try again the week of October 5. Congressional passage of the bill is needed to make legal what is currently a widespread practice by soy farmers of using GM seeds. Last year, Lula issued a decree allowing the planting of genetically modified soybean seeds for the 2003-2004 harvest, but the government said yesterday it would not issue another decree for the 2004-2005 harvest, even as many farmers have already committed to using the GM soybean seeds. The government said it wanted the Congress to decide the issue once and for all. The lower house of Congress approved the bill in February. Brazil, the world's second-largest soy producer and exporter, is the only major agricultural exporter to maintain a ban on the commercial use of GM foods. The US' **Monsanto** would benefit from the lifting of the ban, since it would be able to collect royalties for the use of its Roundup Ready GM soybeans.

### Argentine Economic Expansion Slowed During Second Quarter

Argentina's economic growth showed signs of slowing down in the second quarter amid a deceleration in consumption. The economy expanded 7 percent during the April-June period compared to the same period of 2003, and rose just 0.5 percent from the first quarter of this year. That compares to 11.2 percent year-on-year growth and 1.5 quarter-on-quarter growth recorded during the first three months of the year. In a research note published this morning, investment bank **UBS** said that investment and imports were the fastest-growing components during the second quarter. "On the other hand, both private and public consumption decelerated on a year-over-year basis," UBS said. "We think that growth will continue to be led by investment, as well as by a pick up in public consumption, as the government begins to spend some of the fiscal windfall accumulated so far this year." Argentina's Central Bank is predicting 8 percent growth for all of 2004, while the economy ministry forecasts a 6 percent expansion. In other

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

in many other countries in the region. Withdrawal of US support for international loans to Venezuela because of the Chavez government's lack of effective

“... It would be wrong to underestimate the seriousness with which the Bush administration has confronted the issue of trafficking.”

- Donna Hrinak

action to combat trafficking may to some extent be politically motivated, as several other countries have also failed to take significant measures against this crime. However, it would be wrong to underestimate the seriousness with which the Bush administration has confronted the issue of trafficking. For example, in President Bush's 2003 speech to the UN General Assembly, trafficking in persons was the only sub-

ject other than terrorism that he addressed in a meaningful way. During my two years as ambassador in Brazil from 2002 to 2004, we undertook several bilateral projects against trafficking, including public education initiatives, and work with law enforcement agencies and victims' rights advocates, all with Washington's full support. As one of the three principal destinations for trafficked persons, the US has an important responsibility to cooperate with both source and receiving countries to stop trafficking."

**Michael Shifter** is Vice President for Policy at the Inter-American Dialogue.

**Donna Hrinak** is a member of the Advisor board, Senior Counselor for International Trade and Government Affairs at Steel Hector & Davis, and a former US Ambassador to Brazil, Venezuela, Bolivia, and the Dominican Republic.

## Q&A Index

A review of the featured Q&A in the Latin America Advisor for the week ending September 17, 2004.

September 13: **What Are the Prospects for Reform During Fox's Final Two Years?**

September 14: **How High Will Brazil's Central Bank Raise the Selic Interest Rate?**

September 15: **Will US-Costa Rica Relations Suffer Over Iraq?**

September 16: **How Will Bolivia Resolve its Hydrosector Reform Bill Controversy?**

September 17: **Are New US Sanctions Against Venezuela Politically Motivated?**

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Argentina economic news, Economy Minister Roberto Lavagna confirmed Thursday that the government had increased its primary budget surplus to 3 percent of GDP for 2005, up from 2.7

percent this year, according to Reuters. The increase would result in more money being set aside to pay creditors holding some \$100 billion in defaulted debt.

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