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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 President George W. Bush will serve a second four-year term after defeating John Kerry in Tuesday's US presidential election. What does the outcome of the US presidential contest mean for Latin America? How do you see US-Latin America relations evolving over the next four years? Will the war in Iraq and Bush's widespread unpopularity in the region be an impediment to good relations?

A Guest Comment: Jose Angel Gurria: "One should remember that President Clinton, who is very popular in Latin America, only visited Mexico in his fifth year of government, after his re-election. September 11, the war on terror, the Middle East, and even the re-election process itself, which is so local in the US, took most of the attention from other foreign policy issues. Although these issues are not resolved, President Bush, with a stronger and clearer mandate, hopefully may focus his attention on our region, its challenges, and its opportunities. In fact, when one talks about trade, President Bush's agenda was quite active and deliberate. For some time, it seemed that [USTR] Bob Zoellick was the only one concentrating on Latin America, with his bilateral free-trade initiatives, given that FTAA was not moving decisively. Migration, drugs, trade, and security issues in the region at the national and subregional level, as well as the widespread

problems of economic development, poverty, and the provision of basic services for the neediest (which are causing serious breakdowns in political and economic governance) are obvious themes that have to be reviewed and, probably, revised, in the US foreign policy agenda. A president from Texas has a good feel for the issues that confront us and may catch up faster than one thinks. In any case, we should take our case to Washington, to the White House, Congress, the State Department, the Treasury, Homeland Security, the CIA, the DEA, and the USTR, and to all the other agencies that have to do with us. It is up to us first, and then up to the newly re-elected

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PHOTO OF THE DAY



Brazilian Vice President Jose Alencar, left, was named defense minister on Tuesday after Jose Viegas, right, resigned the post amid criticism of an Army statement on past human rights abuses. See related story on page 2.

Photo: Agencia Brasil.

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NEWS BRIEFS

IMF Official Praises Brazil

The head of an International Monetary Fund mission visiting Brazil said Thursday he was "strongly impressed" with Brazil's economy. "We are satisfied because the Central Bank continues conducting monetary policy in a perfectly prudent manner," said Charles Collyns, who spoke after meeting with Central Bank President Henrique Meirelles.

Source: *Agencia Brasil*.

Mexican Economy Expanded 4 Percent in Third Quarter

Mexico's economy grew 4 percent in the third quarter compared to the same period of 2003, the finance ministry said Thursday. The government projects full-year 2004 growth of 4 percent.

Source: *Reuters*.

Higher Gas Prices Drive Up October Inflation in Chile

Consumer prices in Chile rose 0.3 percent in October, led by a 4.3 percent jump in the price of unleaded gasoline. Inflation accelerated from a 0.1 percent rise in consumer prices in September, and stood at 2.6 percent for the first 10 months of the year. The price of unleaded gasoline in Chile, driven up by record-high world oil prices, has risen 21.4 percent during the past 12 months.

Source: *INE*.

South American Leaders to Organize Trade Policy Group

South American countries plan to create a group to discuss joint policy and strengthen ties as they prepare for talks on a free-trade agreement linking the continent with North America, Peruvian President Alejandro Toledo said yesterday. They will meet December 7-9 in Cuzco, Peru.

Source: *Bloomberg News*.

Political News**Brazil's Defense Min. Takes Blame for Army Statement on Abuse, Resigns**

Brazilian Defense Minister Jose Viegas resigned Thursday following public embarrassment at the ministry over a military statement on past torture of so-called "subversives." In a resignation letter submitted to President Luiz Inacio "Lula" da Silva on October 22 but not made public until yesterday, Viegas said he took "full responsibility" for a statement made by the Army in reference to photos published last month in Brazilian newspaper *Correio Braziliense*. The paper said the photos showed prominent journalist Vladimir

Viegas said he took "full responsibility" for a statement made by the Army in response to the publication of photos said to show a prominent journalist in captivity before being killed by authorities in 1975.

Herzog in captivity before he was tortured and killed by authorities in October 1975, during military rule in Brazil. The Army originally said in a statement Herzog was part of "a subversive movement that intended to overthrow the military government" and that it was "obeying popular opinion" at the time of Herzog's capture. The Army later retracted the statement. Viegas said he had not been consulted before the original statement was issued. In his resignation letter, the former defense minister said the statement "represents the persistence of an authoritarian thinking" and that it was "time for the representatives of this outdated thinking to leave the scene." A military government ruled Brazil from 1964 to 1985, during which an estimated 400 anti-government activists were interrogated, tortured, and killed. Brazil's military rulers changed the Constitution in 1968, giving power to security forces to imprison those suspected of involvement with revolutionary organizations and socialist parties. Vice President Jose Alencar will temporarily replace Viegas, according to Brazilian news service Agencia Estado.

Haiti Leads Off Rio Group Summit Agenda

Leaders from 19 countries in the Western Hemisphere started their two-day Rio Summit talks yesterday by pledging to better address Haiti's problems. Meeting in Rio de Janeiro, several presidents in opening remarks pointed out that Haiti requires "long-term commitments" from the group. "Our solidarity is being tested by the Caribbean crisis in Haiti," Brazilian President Luiz Inacio Lula da Silva said, according to the Associated Press. Scores of Haitians have been killed in the past month's escalating political violence, blamed by many observers on agitation from supporters of exiled president Jean Bertrand Aristide. Basic food and sanita-

tion needs in the country are more dire than perhaps any time in the last decade, according to aid groups. Tropical Storm Jeanne killed some 2000 people in September. Peruvian President Alejandro Toledo said yesterday that "The Rio Group must ... prevent the situation from repeating itself again," according to the Associated Press. In related news, the *Miami Herald* reported today that the US is organizing a "major humanitarian exercise in Haiti," scheduled for next February through May, in order to show support for Prime Minister Gerard Latortue. The US is not yet offering troops for the UN peace-keeping force deployed there, according to the report.

Economic News**Latest Auto Sales Data Mixed in Brazil, Venezuela**

New car sales in Venezuela totaled 13,583 units in October, up 7.84 percent from September and more than double October 2003, the Venezuelan Automobile

Chamber (Cavenez) reported Thursday. For the first ten months of the year, new car sales stood at 100,979 in the Andean country, also more than double the year-ago period, as the economy rebounds after a terrible 2003 and high commodity prices boosted the oil-rich nation's economy. Brazilian new vehicle registrations, meanwhile, fell for the first time in eight months in October. Analysts suggest that a Central Bank hike in interest rates and higher car prices hurt sales, Bloomberg News reported. [See related Q&A in the November 2004 issue of the *Latin America Retail Advisor*.]

Mexico's Senate May Lower 2005 Budget Deficit Goal

Mexico's Senate may reduce its 2005 budget deficit goal to 0.22 percent of gross domestic product, Reuters reported today. The adjustment would align the 2005 gap more closely with President Vicente Fox's original proposal, Alejandro Gutierrez, a senator from the opposition Institutional Revolutionary Party told Reuters. Fox had originally proposed a deficit of 0.14 percent of GDP, but the lower house modified the goal to 0.3 percent when it passed the spending portion of the budget bill last week. In related news, Mexico's state oil monopoly **Pemex** reported improved performance over the first nine months of 2004, trimming its net loss to \$1.3 billion, 14 percent less than a year ago, Reuters reported.

Company News

Venezuela's Movilnet to Invest \$800 Million Over Four Years

Venezuela's **Movilnet**, the mobile unit of **CANTV**, plans to invest some \$800 million between 2005 and 2009, Movilnet President Jose Maria de Viana said Thursday, according to Reuters. The mobile operator, Venezuela's second-largest with 2.8 million subscribers, also plans to expand its coverage by 50 percent next year to meet increasing demand, company executives said. Movilnet expects Venezuela's mobile market to grow by about 15 percent next year. Last

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Three Hispanics Among New Lawmakers Elected on Tuesday

The 45 new members of the 109th Congress elected on Tuesday include three Hispanics—two elected to the Senate and one to the House. In a close Florida race, voters elected Cuban-American Mel Martinez, a Republican and former housing secretary under President George W. Bush, to take over the Senate seat vacated by Democrat Bob Graham, who is retiring after a 40-year career in politics. Martinez defeated Democratic challenger Betty Castor by a slim margin. Speaking in Orlando after his victory, Martinez said he plans to "represent all Floridians—Republicans, Democrats, and independents, and those who voted for me and those whose trust I have yet to earn." He said he will prioritize issues of importance to Hispanics, such as immigration, health care, housing and education. Voters in Colorado chose Democrat Ken Salazar, of Mexican descent, over Republican Pete Coors. It will be the first time Congress will have two Hispanic senators at the same time. Previously, there had only been three Hispanic senators—all elected in New Mexico. In the House, Democrat Henry Cuellar was elected as representative of the 28th District in Texas, defeating Republican Jim Hopson. During his campaign, Cuellar, a former Texas state representative, said he would focus on boosting education funding and rural infrastructure development in his district.

Source: Associated Press, EFE News, The Hill.

Article: Latin America Issues at Risk of "Languishing" in Congress

Latin America policy initiatives in Congress are at risk of faltering unless a greater movement by lawmakers, supported by the Hispanic community, emerges to propel issues, wrote Eric Farnsworth, vice president of the Council of the Americas, in a recent article. Farnsworth said that the Hispanic community cannot continue to be an inconsistent voice on US policy toward the region. "The implications are obvious. Unless a greater constituency for hemispheric engagement develops in Congress, many of the most important regional matters will languish," Farnsworth wrote, specifically citing plans to negotiate free trade agreements with Central America and the Dominican Republic, and the Andean region, as well as the broader Free Trade Area of the Americas. He noted that Latin America is losing important advocates in Congress with the retirement of Senators Bob Graham (D-FL) and John Breaux (D-LA), and Reps. Cass Ballenger (R-NC), Cal Dooley (D-CA), Jennifer Dunn (R-WA), and Doug Bereuter (R-NE).

Source: Council of the Americas.

week, **CANTV** reported a third-quarter net profit of \$60 million, a turnaround from a net loss a year ago, amid increased revenue from mobile operations. The positive earnings results by **CANTV**, Venezuela's largest telecommunications company and controlled by the US'

Verizon Communications, also came amid a recovery in Venezuela's economy, which had been battered by two years of recession but is expected to grow more than 11 percent this year.

Featured Q&A*Continued from page 1*

president to put the region higher in his priorities, as he faces the judgment of history rather than having to get the votes for re-election."

A Board Comment: Diego Arria: "September 11 relegated all of President Bush's best intentions away from Latin America, and I don't see how this situation will change significantly unless a reappraisal of the potentially serious problems in the

“ A new and more complex political landscape is emerging in Latin America, and so far it has not received from Washington the proper attention it should be given. ”

- *Diego Arria*

region is undertaken by new officials in the administration. A new and more complex political landscape is emerging in Latin America, and so far it has not received from Washington the proper attention it should be given. Most probably, the reactive traditional policy will prevail in Washington. The war in Iraq should not be an impediment for better relations except with unfriendly leaders such as [Venezuelan President] Chavez who would anyhow use any excuse to attack the Bush administration. The perception in the region that Bush was not a legitimate representative of his country's public opinion should change radically after the clear popular mandate that he received, and hopefully this could be the base for a new beginning."

A Guest Comment: Roberto Teixeira da Costa: "The big question in the air is what is going to change with Bush II—not only for Latin America, but for the rest of the world as well. Will there be a recomposition of the government? Who are going to be the new players on the team, and what will they represent?"

Regarding economic policy, are the twin [current account and fiscal] deficits going to be attacked? If so, what will be the consequences for the dollar and interest rates? This is a very relevant issue for Latin America and particularly for Brazil as a debtor country. As for specific policies for the region, there are no great expectations for the short term. We are not among the priorities, and the security issues, Iraq, and the relationship with the European allies are going to continue to be on the top of the US agenda. As for trade policy, there were hopes that if the Republicans continued in power, perhaps a new environment would prevail for the FTAA. It will be important that Trade Promotion Authority is extended. In the meantime, discussion with individual countries and with the Andean countries for trade agreements will continue. The question is to what extent Congress will insist that labor standards and environment clauses be included. That was the case for the Central America Free Trade Area, which is still pending. Overall what sort of concessions could be made in terms of agricultural subsidies is very fundamental for the FTAA to proceed. Also, supporting the World Trade Organization and the United Nations would be read very positively in the region. Multilateralism is a very fundamental instrument for Latin America. We could expect a more comprehensive dialogue to understand our needs and hopefully support our demands."

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

Diego Arria is a member of the Advisor board, Director of the Columbus Group, and a former Venezuelan Ambassador to the United Nations.

Roberto Teixeira da Costa is a Member of the Board of Banco Itau in Brazil.

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