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Featured Q&A With Our Board of Advisors

Q Bolivian President Carlos Mesa withdrew his offer to resign on Tuesday after Congress voted to reject the offer. What is the outlook for Bolivia in the wake of recent events? Is Bolivia's political crisis over, or will opposition-sponsored road blockades and protests push the country back to the edge? What are the prospects for passage of a new hydrocarbons law?

A **Guest Comment: Stephen Donehoo:** "Faced with a potential disaster of the road blockades isolating Bolivia's cities from their food supply, President Mesa put it all on the line in his resignation speech Sunday when he laid responsibility directly on Evo Morales, leader of the coca grower's union and the socialist party (MAS). Working class Bolivians responded in the streets in support of their popular president. Caught by the surprise resignation, political leaders negotiated a solution with Mesa, who demanded and got: 1) an expedited hydrocarbons bill that will not scare away investors and the IFIs; 2) an election agenda for a referendum on limited autonomy for Bolivia's departments, election of department governors, and a constituent assembly; 3) a 'national accord' among political, religious, and civic leaders to ensure governability and build economic opportunities; and 4) an agreement to end the blockades. Mesa's popularity and the traditional political parties' lack of support make enacting legislation on the first two a

certainty in the coming weeks. The national accord will be driven principally by the Catholic Church. And Mesa's call to all Bolivians to publicly reject Morales' blockades in the city squares across the country at noon today should make clear to MAS that blockades are counterproductive to their expansion and an eventual Morales presidential bid. How long the agreement will last is uncertain in this nation where governments seldom last the prescribed five years. What is certain is that Mesa bought his nation months, if not years, of relative stability."

A **Guest Comment: Ivan Rebolledo:** "Bolivia's immediate outlook is certainly more positive than it was last week. President Mesa

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PHOTO OF THE DAY



Army Gen. Bantz Craddock, head of the US Southern Command, said Wednesday that China's military influence in Latin America is growing. See story, page 2.

Photo: Southcom.

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NEWS BRIEFS

Rice Travels to Mexico Today

US Secretary of State Condoleezza Rice travels to Mexico today for meetings with government officials, business leaders, and members of civil society. The trip, Rice's first to Latin America since assuming the top post at the State Department in January, comes ahead of a March 23 meeting in Texas between US President George W. Bush, Mexican President Vicente Fox, and Canadian Prime Minister Paul Martin. Rice commented on US-Mexico and US-Latin America relations yesterday during an interview with US Spanish-language broadcaster **Univision**, a transcript of which is available at <http://www.state.gov/secretary/rm/2005/43179.htm>.

Source: US State Department.

CVRD Reports 30 Percent Growth in Exports

Brazilian iron ore miner CVRD said Wednesday that its exports rose 30 percent in 2004 to \$5.2 billion. CVRD, Latin America's largest private company with a market capitalization of \$39.9 billion, said iron ore production increased 15 percent last year to 210 million tons, and expects output of 225 million tons this year. The company plans to invest 10.8 billion reais (\$US 4 billion) in 2005.

Source: Reuters.

Mexican Consumer Prices Rose Faster than Expected in February

Consumer prices in Mexico increased 0.33 percent in February, the country's central bank said Wednesday. The faster-than-expected pace last month brought annual inflation to 4.27 percent, down from 4.54 percent for the 12 months through January, but still above the central bank's target range of 2-4 percent.

Source: Banco de Mexico, Reuters.

Political News**Top US Diplomat to Latin America Urges Greater Attention to Venezuela**

US Assistant Secretary of State Roger Noriega told lawmakers Wednesday that the United States and Latin American countries need to pay more attention to Venezuela to prevent greater misery for Venezuelans and block the spread of Venezuela's "failed model" in the region, Reuters reported. If the US and Latin American nations "ignore President [Hugo] Chavez's questionable affinity for democratic principle we could soon wind up with a poorer, less free, and hopeless Venezuela that seeks to exports its failed model to other countries in the region," Noriega told members of the House International Relations Committee. Noriega said Chavez's "efforts to concen-

Noriega said that despite the Bush administration's efforts to "establish a normal working relationship with his government, Hugo Chavez continues to define himself in opposition to us."

trate power at home, his suspect relationship with destabilizing forces in the region, and his plans for arms purchases are causes of major concern." Noriega's remarks were the latest salvo in an ongoing war of words between officials from the US and Venezuela, the third-largest supplier of oil to the US. Chavez, a fierce critic of US "imperialism" and US-backed neoliberal economic policies in the region, has accused the US of supporting efforts to topple him, including an April 2002 coup attempt, and has recently charged the US with plotting to assassinate him. Noriega said yesterday, however, that despite the Bush administration's efforts to "establish a normal working relationship with his government, Hugo Chavez continues to define himself in opposition to us."

Evo Morales Vows to Continue Road Blockades in Bolivia

Bolivian opposition leader Evo Morales on Wednesday vowed to continue road blockades until President Carlos Mesa ends his

opposition to higher taxes on foreign oil companies, the Associated Press reported. "There are going to be more road blockades," Morales was quoted as saying. Morales' Movement Toward Socialism (MAS) party has refused to be a part of an agreement between Mesa and other political parties that calls for an end to the paralyzing blockades which threaten to cut off the country's major cities, as well as for passage of a new hydrocarbons law, a referendum on greater autonomy for the country's provinces, and the establishment of a wide-ranging social accord. The agreement was key to Mesa's decision to withdraw his resignation, an offer which Congress almost unanimously rejected on Tuesday. Mesa threatened to resign on Sunday, saying he could not govern the country amid widespread road blockades, pinning the blame for the crisis on Morales and on Abel Mamani, a civic leader in El Alto, a city of mostly poor,

indigenous people outside of La Paz. Morales now faces public criticism for his role in the road blockades, which have been banned in some parts of the country. Morales organized the blockades as well as the occupation of oil fields, demanding Congress pass a law raising taxes on foreign oil companies from 18 to 50 percent of their sales. Last week, lawmakers narrowly rejected that proposal, and Morales said the blockades will not be lifted until Congress reconsiders the law. Mesa has called on Bolivians to stage a peaceful protest against the roadblocks on Thursday.

US General: Chinese Military Influence Growing in Latin America

China is increasing its influence among Latin America's militaries amid US cuts in military aid to the region, the head of the US Southern Command said Wednesday, according to *The Miami Herald*. In testimony before the House Armed Services Committee, Army Gen. Bantz Craddock

said China's growing influence in the region is "an emerging dynamic that could not be ignored." China, which needs to protect its access to food, energy, and raw materials in the region is promoting a "power projection military, capable of securing strategic shipping lanes and protecting its growing economic interests abroad," Craddock said. At the same time, the US has cut military aid to 11 Latin American and Caribbean countries. Craddock blamed the cuts partly on a policy that slashes military aid to countries that refuse to exempt US citizens from prosecution by the International Criminal Court.

Economic News

Brazilian Industrial Production Growth Slows in January

Brazil's industrial production grew in January at the slowest pace in three months, signaling a cooling economy, government statistics agency IBGE said Wednesday. Output rose 6 percent in January compared to January 2004 after increasing 8.3 percent year-on-year in December and 8.1 percent in November. Non-seasonally adjusted industrial output fell 0.5 percent from December, the second decline in four months. Analysts read the numbers as an indicator that the Central Bank's continued tightening of monetary policy in order to curb inflation has begun to slow growth, despite a less negative impact on industrial production in January than was expected. Growth in the twelve-month period ending in January reached 8.5 percent, its highest rate since July 1995. Booming industrial production fueled the country's stellar economic growth in 2004, which is likely to ease this year due to currency strength and slowing consumer demand. In a research note Wednesday, UBS said it expects industrial production to slow this year from the high pace of 2004. "We forecast a 5.8 percent rise in production in 2005," UBS said. Analysts say Brazil's investment climate remains attractive. Brazil's economy expanded 5.2 percent last year and is forecast to slow to 3.5-4.0 percent in 2005.

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

No Timetable Set Yet for House Committee Hearings on CAFTA

Amid reports that the Central American Free Trade Agreement (CAFTA) may be taken up in the House of Representatives as early as this spring, a House Ways and Means Committee staffer said Wednesday the Committee has not established a definitive schedule on consideration of the pact and upcoming bills. "We don't have any sense of timing at this point," the staffer told the *Advisor*. Rep. Kevin Brady (R-TX), a member of the Ways and Means Committee and chairman of its Subcommittee on Trade, was quoted last week as saying hearings should begin once a law which would challenge patent protections for US drugmakers is repealed in Guatemala. The agreement with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua was completed over a year ago.

Source: House Ways and Means Committee, Congressional Quarterly.

Congresswoman Demands Release of Jailed Former Haitian Prime Minister

The Haitian government should immediately release former Prime Minister Yvon Neptune and other "political prisoners," Rep. Maxine Waters (D-CA) said Monday during a visit to Port-au-Prince. Waters said Neptune, who started a hunger strike 16 days ago to protest his imprisonment, "is in a weakened position" and would die if he continued the strike. Neptune, who went into hiding after ousted President Jean-Bertrand Aristide left Haiti in February 2004 amid a nationwide armed revolt, has been detained without a trial since June. He is accused of plotting a massacre at the time of the coup that allegedly resulted in 50 deaths. Human rights activists and others say the interim government is unfairly targeting Aristide supporters with imprisonment while ignoring crimes committed by his opponents.

Source: Reuters, Haiti Action Committee.

Featured Q&A

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had taken a calculated gamble that the Bolivian legislature would reject his resignation, as well as agreeing on the Social Pact that he proposed. His gamble has paid off and is both a personal victory for the president and a tonic for institutional democracy in a country in which street protest has had a powerful influence on political decision-making. With great vision and political acumen, he proposed a four-point plan. All points of the plan were met with support by most parties except MAS. In spite of Evo Morales' calls for continued protests and predications of failure and betrayal, it is

important to keep in mind that MAS may have the power to mobilize the masses, but they are neither the Congress nor the voice of most people. The crisis is over for now, but we will see continued protests and political maneuvering in the weeks to come. It is vital that Mr. Morales find constructive ways to engage with the government and not always be tempted to call for national strikes. Prospects for the passage of a new hydrocarbons law are certainly better than a few weeks ago. In spite of the Social Pact agreement, congressional debate will most likely continue around this subject."

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A Guest Comment: Robert Gelbard: "President Carlos Mesa took a relatively small, but very clever risk in offering his resignation at a time when it is clear that there are no other rational alternatives. He had been dangerously undercut and attacked by not only Evo Morales and other radical indigenous movements and dissident regional blocs, but also allegedly by ex-President Sanchez de Lozada and his MNR party, who are accused of financing destabilization efforts. The new alliance is a step forward, but is still only a highly unstable (and perhaps temporary) equilibrium. Mesa really needs to broaden his government to include more experienced political dealmakers who could work the priority problems with the still highly active opposition, as well as include some parties which might not be his favorites. Morales and other radicals will test Mesa soon with more blockades and violence; the president's stated refusal to use force even *in extremis* has been received by the radicals as a gift, so the government will need to demonstrate much more resolve and determination than previously. No one should be optimistic that the current spirit of goodwill will last, even until next week, so Mesa and other responsible leaders must act now to solidify the new alliance. The US, EU, and key South American nations need to establish a coordinated, activist—but low profile—strategy to bolster the Mesa government by urging the traditional parties to maintain their support, pressuring Mesa's opponents to cooperate with him instead of acting against the country's interests, and getting Mesa (with experienced additional advisors) to develop and implement measures to allay concerns among some of his enemies, such as the MNR. Urgent economic help from the US, EU, and IFIs is essential. European nations also need to take action to stop the longtime flow of NGO funds to radical elements, including Evo Morales. If Mesa's new alliance holds, it could produce some important results, including a reasonable hydrocarbons law and, with luck, a break in the distur-

bances which have disrupted Bolivia for so long. But to accomplish this requires the actors involved to behave cooperatively, something that few have been prepared to do for a long time."

A Guest Comment: Sebastian Briozzo: "A new scenario has emerged in Bolivia. The previous one seemed to be moving toward a steady state where President Mesa's administration was prioritizing governability and its stability in the government rather than the reform agenda. After Sunday, this has changed significantly. President Mesa moved to a more aggressive strategy, in particular regarding the passage of the hydrocarbon bill. However, this new strategy involves higher risks. Political and social groups both against and in favor of the government bill are currently redefining their strategies under this new scenario. On the one hand, groups against the reform, led by Evo Morales, are unifying and radicalizing their positions. On the other hand, it is still early to say how many political parties and supporters the government will really be able to count on. Despite six out of eight parties with representation in Congress on Tuesday signing an agreement with the president, internal division within these parties continues to grow rapidly on what position to take. The process of redefining the political forces is going on at this very moment, and therefore it is very difficult to foresee how these dynamics will finally play out."

Stephen Doneho is Managing Director at *Kissinger McLarty Associates*.

Ivan Rebollo is President of the *Bolivian-American Chamber of Commerce*.

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Latin America Advisor

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Latin America Advisor is published every business day by the *Inter-American Dialogue*
1211 Connecticut Avenue, Suite 510
Washington, DC 20036
Phone: 202-822-9002 Fax: 202-822-9553

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