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Featured Q&A With Our Board of Advisors

Q Mexican President Vicente Fox caused a furor recently when he said that Mexican migrants do work in the United States that "not even blacks want to do," a remark widely criticized as racist. What has Fox's remark revealed about race perceptions in Mexican society? Do you expect debate about race in Mexico will stimulate policy action, especially with regard to the country's estimated 10 million Indians?

A **Guest Comment: Rafael Fernandez de Castro:** "President Vicente Fox's remark last week should really come as no surprise. He has always been a politician that is unable to keep quiet, and any politician with this characteristic inevitably makes mistakes. His comment does not mean that he is racist; it just shows that he is not attuned to the political correctness of the US and the current racial terminology in the US. Fox continually makes similar mistakes and then finds himself having to make up for what he said, which was evidenced this time by his reconciliatory meeting with Jesse Jackson and other top African-American leaders. For the first time since I can remember, US tabloids have dedicated columns to the remarks of a Mexican president. This will definitely have a negative impact on his popularity in the US. His comment only adds to an already negative image of a Vicente Fox that was unable to meet the expectations of his presidency."

A **Board Comment: George W. Grayson:** "Mexican President Vicente Fox and Jesse Jackson share striking misconceptions about the relationship of illegal immigrants to African Americans. Although Fox speaks English well, he really doesn't understand the US. While not a racist, he holds stereotypic views of American blacks and did not think twice about the negative reaction sparked by his insensitive remark ... The influx of immigrants drives down wages and makes it even more challenging for low-skilled legal residents to find employment. On Jackson's Sunday radio show, Fox promised to cooperate with

Continued on page 4

PHOTO OF THE DAY



Venezuelan Information Minister Andres Izarra on Tuesday announced the first test broadcast by state-owned Telesur. Izarra is president of the new channel. See news brief, page 2.

Photo: ABN.

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NEWS BRIEFS

Chavez-Backed Telesur Makes Test Broadcast

Telesur, a new state-owned Spanish language television channel backed by Venezuelan President Hugo Chavez as a means to promote South American integration and counter the influence of foreign news networks such as CNN, made a test broadcast on Tuesday. The 24-hour channel, which plans to start regular transmissions on July 24 via satellite to audiences in South America and the Caribbean, will offer news, documentaries, films, and cultural coverage. The governments of Argentina, Cuba, Venezuela, and Uruguay are shareholders in Telesur.

Source: ABN, Reuters.

Moody's Revises Outlook on Dominican Republic to "Stable"

Moody's Investors Service said Tuesday it had changed its outlook for the Dominican Republic from "negative" to "stable," citing the successful completion earlier this month of the Caribbean nation's debt exchange. "Economic policy actions undertaken by the administration of President Leonel Fernandez have been effective in reversing trends that led to persistent deterioration in various financial indicators," the ratings firm said.

Source: Moody's Investors Service.

Chile's New Interior Minister Takes Office

Francisco Vidal was sworn in as Chile's new interior minister on Tuesday. Vidal replaces Jose Miguel Insulza, who on Thursday will assume the post of secretary general of the Organization of American States. Osvaldo Puccio took over Vidal's former job as general secretary in the Chilean government.

Source: Chilean government.

Political News

Bolivian President Mesa Pledges to Ride Out Protests, Complete Term

Bolivian President Carlos Mesa vowed to stay in office despite intensifying protests by Indians demanding the nationalization of the country's oil and gas sector as well as changes to the impoverished South American nation's constitution, Reuters reported. "I am carrying out my duty, and I will do so until the last day of my term," Mesa was quoted as saying during a trip to the city of Sucre, while tens of thousands of protesters descended on the capital, La Paz. Mesa, who took office in October 2003 after former President Gonzalo Sanchez de Lozada resigned amid violent protests, would complete his term on August 6, 2007. Six people were injured

“I am carrying out my duty, and I will do so until the last day of my term.”

– Bolivian President Carlos Mesa

during confrontations between protesters and police in La Paz yesterday after police fired rubber bullets on demonstrators, according to Reuters. Police also fired tear gas at protesters trying to reach the government palace and congressional building. The demonstrators blocked several roads leading into and out of the city. Protest leader Roman Loayza, the head of Bolivia's peasant confederation and a senator from the Movement Toward Socialism party, said demonstrators were demanding nationalization of the country's oil and gas sector and changes to the constitution. Last week, the president of Bolivia's Senate signed into law a controversial bill on the country's hydrocarbons sector after President Carlos Mesa let lapse a 10-day period for him to sign or veto the legislation. Congress passed the bill, which slaps a 32 percent nondeductible direct tax on foreign oil and gas companies, on May 5. The commander of the army, Gen. Marcelo Antezana, on Tuesday dismissed fears of a military coup amid the intensifying social disturbances, saying that the

armed forces maintain "a policy of respect for the constitutional order," according to the Associated Press.

Company News

AMLO Vows to Recoup Unpaid Taxes from 2001 Banamex Sale

Mexico City Mayor and 2006 presidential candidate Andres Manuel Lopez Obrador said Tuesday he would try to recoup taxes from US financial giant **Citigroup's** \$12.7 billion purchase in 2001 of **Grupo Financiero Banamex-Accival SA** if he wins the election next year, Bloomberg News reported. Lopez Obrador, who has criticized what he says is special treatment for Mexican business executives by government officials that allow them to circumvent regulations, vowed to try to find

a legal means to recover taxes from the sale of Banamex, the country's second-largest. "It's not fair to ask people to pay taxes and then exempt people close to politicians," Lopez Obrador said Tuesday at a press conference. "These are the things that have to end in the country." Citigroup's purchase of Banamex was tax-free under Mexican law because it was conducted through a public offer on the Mexican stock exchange. However, the Mexican press has reported that the way the multi-billion-dollar sale of Banamex was transacted violated rules and enabled Banamex's principal shareholder, Roberto Hernandez, to avoid paying income tax on his profits, and that Finance Secretary Francisco Gil Diaz approved the deal. Mexican broadcaster **TV Azteca** filed a criminal lawsuit against Diaz with the Mexican attorney general's office in April, accusing him of threatening to stop the network from airing a program that criticized his decision to bail out banks such as Banamex during the country's 1994-1995 economic crisis, according to Bloomberg.

Mine Officials Deny Protests Affecting Output in Peru

Officials at the Tintaya copper mine in southern Peru, which is owned by **BHP Billiton**, denied Tuesday that production had been affected after more than 2,000 people broke into the mine to demand more investment in local infrastructure, Reuters reported. "Mining activity has not been halted. Shifts have been conducted normally," company spokesman Richard Adahui was quoted as saying. The vice president of the copper mine—Peru's third largest—had said earlier in the day that protesters were blocking entry to the mine and had set fire to grassland within the mine camp after clashing with police. "The situation is chaotic," the vice president, Lucio Rios, was quoted as telling local radio. Adahui said administrative staff had been evacuated on Monday after some 500 protesters entered the mine camp and that there had been damage to the administrative offices. The protesters are demanding the company invest \$20 million in local infrastructure works, including the paving of a 125-mile stretch of road, according to Oscar Gonzalez, the vice president of the National Society of Mining, Petroleum, and Energy.

Judge Gives SEC Until June 15 to Rebuff TV Azteca Dismissal Request

A US federal judge has given the US Securities and Exchange Commission more time to present arguments why fraud charges against Mexican broadcaster **TV Azteca** should not be dismissed, Reuters reported. Judge Emmet Sullivan on Monday gave the SEC until June 15 to respond to TV Azteca's request for a dismissal of the fraud charges. The SEC filed the charges in January against TV Azteca, its Chairman Ricardo Salinas, and two other top executives for concealing Salinas' role in a controversial 2003 debt deal that made him a \$109 million profit. Salinas bought debt that TV Azteca phone unit **Unefon** owed to **Nortel Networks Corp.** for a discounted price and received repayment from Unefon at full value three months later, the SEC said in January. The SEC said Salinas failed to inform shareholders of the transaction and wants to

fine Salinas and bar him from managing any US-listed company. In its request for a dismissal of the charges, TV Azteca said it had no knowledge of Salinas' monetary transactions. Earlier this month, TV Azteca and two other companies owned by Salinas said they would ask shareholders meeting to consider delisting their shares on US stock markets because of "excessive regulation" in the United States. Salinas plans to delist TV Azteca and two of his other companies from the US market. On April 28, Mexican Finance Minister Francisco Gil Diaz asked prosecutors to bring criminal charges against Salinas on allegations he used privileged information to trade shares, Bloomberg News reported.

Brazil's Embratel May Buy Telmex Assets as Part of Consolidation Plan

Brazilian long-distance operator **Embratel** said Tuesday it would consider

buying two of the main assets owned by its controlling shareholder, **Telefonos de Mexico** (Telmex), as part of a plan to consolidate Telmex's operations in Brazil, Reuters reported. Embratel said its board of directors had signed a letter of understanding with Telmex regarding the possible acquisition of data transfer provider **Telmex do Brasil** and a 37 percent stake in cable television operator **Net Servicios de Comunicacao**. Embratel would pay Telmex with ordinary shares, which carry voting rights, in a deal worth a reported \$560 million. As a result of the deal, Telmex's stake in Embratel would increase from 64 percent to about 73 percent, Reuters reported, citing a research report by **UBS**. Telmex, owned by Mexican billionaire Carlos Slim—Latin America's richest man—purchased Embratel for about \$400 million in July 2004. It acquired a minority stake in Net earlier this year after a debt restructuring by the cable company.

Research Alert

Outsourcing in Latin America Seen Growing at CAGR of 9.8 Percent Between 2003 and 2008

Outsourcing in Latin America is forecast to expand at a compound annual growth rate (CAGR) of 9.8 percent between 2003 and 2008, above the projected global average but the slowest among emerging market regions, information technology research and consulting firm **Gartner** said in a report this week.

Outsourcing is projected to grow the fastest in the Asia-Pacific region, with a CAGR of 13.8 percent during the five-year period, followed by Africa and the Middle East (10.9 percent), Eastern Europe (10.1 percent), and then Latin America, according to Gartner.

The research firm said outsourcing should grow at a CAGR of 10.8 percent in Japan, with outsourcing in North America and Western Europe both projected to expand at a CAGR of 6.9 percent. The global average is projected at 7.9 percent.

Within Latin America, Brazil and Mexico are the leading destinations of companies that outsource some of their business needs, followed by Chile and Colombia, Gartner said.

"Meanwhile Argentina, due to its recent economic problems, combined with the highest education levels in the region, has become an interesting source of services, including systems integration and consulting," Gartner said in a press release.

Featured Q&A*Continued from page 1*

minority groups in the US to improve labor conditions. Rather than swallow such cant, Jackson should have highlighted the poverty in which half of Mexico's 106 million people live. The failure of their politicians to enact vital fiscal, labor, energy, and judicial reforms severely limits their nation's economic growth. Mexico's elite, who live like princes, rely on the US border as an escape valve through which to export their downtrodden. Just as Fox still has not comprehended the outcry precipitated by his recent comment, Jackson remains equally oblivious to the harm that a tidal wave of illegal aliens does to his prime constituency, African Americans."

A Guest Comment: Judith Morrison: "President Vicente Fox's remark is a combination of culturally accepted norms that marginalize African descendants in Mexico and stereotype African-Americans. The convergence of these stereotypes in an international incident created an historic gaffe that sheds light on the pervasive discrimination against blacks in Mexico and throughout Latin America. Fox's remarks are not surprising in a country where black images are virtually invisible and the few portrayals that exist are often stereotypical. One of the most shocking forms of discrimination that Afro-Mexicans face is the complete negation of their existence, in a country seen as predominantly *mestizo*, with only indigenous and European ancestors. Dr. Bobby Vaughn, an expert in the Costa Chica, tells that many Afro-Mexicans are forced to sing the national anthem when they travel in their own country because they are not believed to be Mexican by officials and their fellow countrymen. We also know that the case of Mexico is not unique in Latin America where discrimination is pervasive, and blacks make up about 33 percent of the total population and comprise over half of the region's poor. We can expect that the growing ties between African-Americans and Mexico will lead to greater visibility for Afro-Mexican relat-

ed policies, such as the publicly funded Tercera Raiz project that supports development and the cultural preservation of black regions."

A Guest Comment: Alfonso Nieto: "Regarding those comments, President Vicente Fox has highlighted that Mexicans working in the United States contribute with their work, in a variety of activities, to the growth of the US economy. President Fox has shown his utmost respect for all minorities regardless of racial, ethnic, or religious background, and thus has regretted and has manifested his disagreement with the interpretations that described [his] statement as racist. The purpose of his comments was solely to emphasize the current importance of Mexican workers in the development and progress of US society. President Fox has a long record of fighting against discrimination. He presented to Congress two important bills in this field, and both are today law: in 2003 the Federal Law Against Discrimination and in 2001 the Law for the Right of Indigenous People. I believe that only through the respect for the law all societies could abolish discrimination in all its forms, and the laws approved during the last couple of years in Mexico are a huge step in that direction."

Rafael Fernandez de Castro is Dean of the Department of International Studies at Instituto Tecnológico Autónomo de México.

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

Judith Morrison is Executive Director of the Inter-Agency Consultation on Race at the Inter-American Dialogue.

Alfonso Nieto is Press Counselor at the Embassy of Mexico in the United States.

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Erik Brand,
General Manager, Publishing

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Marifeli Perez-Stable,
Vice President for Democratic Governance

Jeffrey M. Puryear,
Vice President, Social Policy

Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at
freetrial@thedialogue.org

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