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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

Editor's note: this week, the Latin America Advisor, in conjunction with US Spanish-language daily RUMBO, is publishing responses as part of a Q&A on the potential impact of CAFTA on migration from Central America. Look for more responses in Friday's issue of the Advisor.

Q President George W. Bush has said that passage of the Central American Free Trade Agreement (CAFTA) will help forestall illegal immigration to the US by creating new job opportunities in the region. Do you think CAFTA will have an impact on migration trends from Central American countries to the US? Is the NAFTA experience, in terms of immigration, an appropriate comparison to CAFTA? If CAFTA does not pass in the US Congress, what are the consequences for Central American economic development and immigration?

A Guest Comment: Doris Meissner: "Where illegal immigration is concerned, CAFTA should be seen as necessary but not sufficient. That is to say, people in the US illegally are here primarily because there are jobs and economic opportunity here and not at home. Strengthening trade stimulates economic activity and job creation more than any other single policy measure we know. So it is essential in reducing the economic forces that generate illegal migration. But increased trade and more jobs do not of themselves reverse illegal immigration trends and pressures. That is one of the central lessons of the NAFTA experience. Job creation has to approximate the numbers of young workers enter-

ing the labor force. Jobs need to be available in or near the areas—often remote and rural—from which migrants have traditionally come. Wage differentials with jobs in the US must narrow. Where family members already reside in the US or long-standing kinship networks are in place, migration is unlikely to abate. If jobs for migrants continue to be available in the US and sending communities depend on remittances, illegal migration persists. Migration is not simply an economic but

Continued on page 4

PHOTO OF THE DAY



Renilda de Souza covers her eyes during testimony before a Brazilian congressional panel on Tuesday. De Souza implicated former cabinet chief Jose Dirceu in Brazil's bribes-for-votes scandal. See related story on page 2.

Photo: Agencia Brasil.

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NEWS BRIEFS

Mexican Judge Refuses to Order Ex-President's Arrest

A Mexican judge on Tuesday refused to order the arrest of ex-President Luis Echeverria after ruling that there was insufficient evidence to try the former head of state on charges of genocide related to a 1971 massacre of student protesters. A spokesman for the special prosecutor investigating "dirty war" crimes committed during the late 1960s and early 1970s said the judge's ruling was being evaluated ahead of a possible appeal. Survivors of the 1971 massacre said the judge's decision showed that a system of impunity for Mexico's politically powerful still exists.

Source: Reuters.

Aguas Argentinas Rejects Government's Tariff Offer

Aguas Argentinas, the Argentine unit of French water utility **Suez**, on Tuesday rejected the government's final proposal on tariffs that would end a freeze in place since the country's 2002 economic collapse. The company asked the government to make a new offer within 30 working days to renew its concession contract. Aguas Argentinas said in March it would decide this year whether or not to leave Argentina.

Source: Reuters.

Brazilian Government Lowers 2005 Economic Growth Forecast

Brazil's planning ministry on Tuesday lowered its economic growth forecast for this year from 4 percent to 3.4 percent. The ministry also said that the government's primary budget surplus would be 500 million reais less than previously expected. The government has a budget surplus target of 4.25 percent of gross domestic product.

Source: Agencia Brasil.

Political News

Witness Implicates Dirceu in Brazilian Bribery Scandal

Jose Dirceu, Brazilian President Luiz Inacio "Lula" da Silva's former cabinet chief and close advisor, was aware of off-balance sheet loans borrowed by the ruling Workers' Party (PT) and allegedly used to bribe lawmakers in exchange for their political support, a witness told Congress on Tuesday, according to Reuters. Renilda de Souza said Dirceu discussed the loans with **Banco Rural**, the bank that provided the loans to her husband, businessman Marcos Valerio, in late 2004. De Souza's testimony was the first linking someone in Lula's government to the scandal. In previous testimony, former PT Treasurer, Delubio Soares, one of five high-ranking

practice it's clear that decision-making is very slow," Antonio Maldonado, the head of the Ad Hoc Prosecutors Unit, was quoted as saying. Maldonado, a human rights lawyer who took over the unit in December, complained about a lack of funding, saying the unit had only enough financial resources to continue operations until August. He also said there was "a problem of corruption in the judiciary and this fosters impunity," noting that only 36 of the 1,512 people charged with graft have been sentenced, and of the 36 none have been sentenced for more than 15 years. In December, two public prosecutors belonging to the anti-corruption unit announced their resignation, citing a "lack of political will" by the government of President Alejandro Toledo to attack corruption. The unit was originally created to look into corruption during the government of exiled former President Alberto

De Souza's testimony was the first linking someone in Lula's government to the scandal.

PT officials to step down amid the two month-old scandal, said he alone was responsible for the loans and that no one in Lula's government knew about them. The PT, however, has only admitted to campaign financing irregularities. It says the loans were used to pay campaign debts and personal expenses. Dirceu, who denies any wrongdoing, resigned last month. The scandal, the biggest to hit Lula's presidency, has weighed on Brazil's markets in recent days. On Tuesday, Brazil's currency, the real, strengthened after the Treasury said it would suspend dollar purchases until volatility in the local foreign exchange market subsided. The real dropped 2.7 percent on Monday, its biggest drop in 14 months.

Peru's Anti-Corruption Chief Complains About Poor Support

The head of Peru's anti-corruption unit on Tuesday said poor government support was endangering anti-corruption efforts, Reuters reported. "They say that the fight against corruption is a priority, but in

Fujimori, but is also investigating corruption allegations involving Toledo. [Editor's note: see related Q&A in the January 4, 2005 issue of the *Latin America Advisor*.

Nicaraguan Group Calls for Support Ahead of 2006 Elections

Leaders of a Nicaraguan pro-democracy group on Tuesday called for international support for Nicaraguans in their fight to ensure legitimate elections in 2006. "For many of us, democracy in Nicaragua may not be there anymore," Klaus Stadhagen, director of the *Movimiento por Nicaragua*, told an audience at the Inter-American Dialogue. Next year's congressional and presidential elections in 2006 are as important as the 1990 elections, when the country's leftist Sandinista government was voted out of office after a decade of rule, said MPN leader Rosa Zelaya, a former head of Nicaragua's Supreme Electoral Council. Zelaya said the Sandinista Front party (FSLN) and Constitutionalist Liberal Party (PLC) have

hijacked Nicaragua's judicial system to attain control of the country's laws. "If the law doesn't say it, then they change the law," MPN executive committee member Rhina Cardenal added. The administration of President Enrique Bolanos' remains locked in a struggle for political control with PLC lawmakers who are now allied with former FSLN rivals to divide up politically influenced appointments to the courts, electoral tribunals, and to pass laws removing Bolanos' power to appoint other key officials. The two opposition parties have tried to oust Bolanos on charges that he underreported campaign contributions in the 2001 presidential election.

Company News

Embratel Gives Boost to Telmex's Second-Quarter Earnings

Telefonos de Mexico (Telmex) reported a 6.530 billion-peso (\$US 606 million) second-quarter net profit, up 42 percent, from the same three months of 2004, due mainly to the incorporation of results from a new Brazilian subsidiary acquired last year. In an earnings statement, Telmex said revenues jumped 26.7 percent to 40.174 billion pesos, while EBITDA (earnings before interest, tax, depreciation, and amortization) rose 7.9 percent to 16.984 billion pesos. Telmex's second-quarter results included earnings from Brazilian long-distance operator **Embratel**, as well as a new Chilean unit, **Chilesat**. Telmex acquired both companies in mid-2004. Embratel, Brazil's largest long-distance operator, late Monday reported a second-quarter net profit of 93.6 million reais (US \$38 million), up from a net loss of 64.2 million reais for the same period last year, according to Reuters. Telmex poured 1.6 billion reais into Embratel in April to finance investment and cut debt, Bloomberg News reported. Telmex' objective in investing in Brazil, South America's largest economy, is to offset weak sales in Mexico, which have declined as a result of growing competition from resellers and Internet calling companies. In the second quarter, revenues from Telmex's Mexico operations declined 3.9 percent to 29.918

The Dialogue Continues

A continuation of the July 26, 2005 Q&A

Q Last week legislation sponsored by Rep. Connie Mack (R-FL) was passed in the US House of Representatives to consider broadcasting Radio and TV Marti-type transmissions into Venezuela, aimed at offering "accurate news" to Venezuelans. Will Rep. Mack's legislation pass the full Congress? Do you think the idea of broadcasting special US content into Venezuela is a good one? Is an "electronic war" between the US and Venezuela—as it has been referred to in some media—just hype, or an emerging reality?

A **Guest Comment: Howard Glicken:** "I hope the Congress will defeat Rep. Mack's proposed legislation. This type of response to Telesur simply fans the flames and continues to give Chavez and his government a 'stalking horse.' This policy has not worked with Cuba or the former communist countries of Eastern Europe, and in my opinion will not work with Venezuela. Furthermore, there are several existing

and current broadcasting sources offering objective and accurate coverage of the news. These are adequate channels to counteract whatever propaganda Telesur intends to spin. It seems to me that if we continue with our current policy relations with the Venezuelan government will continue to deteriorate. We need to try a new approach. We should begin a high-level dialogue with the Venezuelan government in order to 'collaborate' as 'partners' in the region on the issues of concern to both of us. If we do this in an open and transparent manner with the tone of old friends and neighbors, we can help sustain the historic good will and friendship we have with the Venezuelan people. In the process, we can take some steam out of Chavez's propaganda and maybe defuse some of the recent confrontations."

Howard Glicken is Chairman of the Americas Group.

billion pesos as income from local, long-distance, and international long-distance services all fell. Telmex, the region's biggest fixed-line telephone company, hopes to take advantage of its acquisition in March of a 54 percent stake in Brazilian cable television operator Net Servicios e Comunicacao to give Embratel direct access to 6.7 million Brazilian homes, bypassing costly interconnection charges the company now pays.

Venezuelan Supreme Court Orders CANTV to Pay Pension Increases

Venezuela's Supreme Court ruled Tuesday that the country's largest telecommunications company, **CANTV**, must pay pension increases and other benefits to thousands of retired employees, Reuters

reported. "The Supreme Court ruled ... in favor of a group of CANTV shareholders, who are asking for a pension adjustment, among other claims," the Court was quoted as saying in a statement. The ruling was made in response to a 1997 lawsuit by the Federation of Retired Venezuelan Telephone Workers and Pensioners, which represents 3,408 retirees. The former CANTV workers, who say CANTV owes them \$326 million, had demanded increases in pensions from collective contracts negotiated in 1993-1994 and 1995-1996. They also argued they should benefit from any pension increases agreed by the company in future wage contracts with employees. Officials at CANTV, which is controlled by the US' **Verizon Communications**, said the company was analyzing the Court's decision.

Featured Q&A*Continued from page 1*

also a social phenomenon. It requires wide-ranging policy changes if it is to be managed more effectively."

A Guest Comment: Yolanda de Gavidia: "The government of El Salvador recognizes the importance of CAFTA's swift ratification as a development tool that will bring greater opportunities to Salvadorans. [The accord] will allow us to overcome our narrow internal market

“Only a sizable enough reduction in the disparity between standards of living in the US versus Central America will help forestall migration, legal and illegal.”

- Ernesto Armenteros

by bringing economic and commercial integration with our main exporting markets and investment sources. CAFTA will allow us to sell our products and services in the world's biggest market, attract new investments that will generate a productivity platform with more added value, and achieve better wages and living standards. It is clear that CAFTA is only a tool for development; that it will only be as effective as much as it's put to use. For that reason, the government has created a series of programs to insure that small- and medium-size business are integrated in the production and export chain. As we become able to offer Salvadoran families the possibility of achieving a higher standard of living, we will be achieving the objective of having more Salvadorans achieve their dreams in our country, without the need to migrate to other places in search of opportunities. Finally, we don't deem appropriate the comparisons between NAFTA and CAFTA, for each region is set on totally different economic realities and historical moments."

A Guest Comment: Ernesto Armenteros: "Only a sizable enough reduction in the disparity between standards of living in the US versus Central America will help forestall migration, legal and illegal. I believe this applies to all countries in the Americas including, of course, Mexico. The question then becomes, will CAFTA help close that gap? Common sense and historical precedent (including NAFTA) support the idea that free trade between nations alleviates this problem if given time, but it doesn't happen in a few years; it's not enough on its own, and job creation is too marginal a measurement of success to be of much use. Additionally, if these agreements are handicapped by exceptions and deferments to accommodate special interests, or their advantages neutralized by moves from competing regions, their usefulness in closing that gap is compromised. Nonetheless, it is my opinion that we'll all be worse off if CAFTA doesn't succeed, as all other variables seem to be moving against us, and if we can't manage to pre-empt the growth of that disparity, migration will increase simply because it remains the only defense mechanism of people whose chances for a dignified existence are denied by their own governments. Around 37 million have opted for it. There are hundreds of millions that must be thinking about it every time they flick on the TV."

Doris Meissner is a Senior Fellow at the Migration Policy Institute and a former Commissioner of the US Immigration and Naturalization Service.

Yolanda de Gavidia is the Minister of Economy of El Salvador.

Ernesto Armenteros is CEO of New York-based remittance company Quisqueyana.

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