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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 In a victory for Latin American banana producers, the World Trade Organization last week rejected the European Union's plans to triple its import tariffs on the fruit. What happens next in the banana dispute in light of the WTO ruling? What is the future of Caribbean banana growers?

A **Guest Comment: Manuel Rodriguez:** "The WTO ruling rejected the European Commission's 230 euro per metric ton tariff proposal and determined that any tariff increase over 75 euros per metric ton would raise the African, Caribbean and Pacific (ACP) margin of preference to the disadvantage of Latin America. Despite that clear WTO message, the EC is still informally signalling that it will continue on its high-tariff path. A high-tariff outcome would destabilize, if not sink, the Latin American banana industry. It would also adversely affect all other market players, as the Caribbean has recognized in recent press statements. Given the importance of the banana sector to the social and economic fabric of the producing regions, the priority should be to find the most equitable and least destructive solution. A high tariff for Latin America and a 'cap' for ACP exports is a non-starter. Among other problems, it would not maintain Latin American market access, as tariff- and quota-free banana exports from Least Developed Countries will still expand under the EC's 'Everything But Arms' preference scheme. The solution is either keeping the tariff at 75 euros per metric ton and supporting weaker producers in the Caribbean through targeted aid programs, or adopting a more transitional move to a single tariff that is equitable, maintains strong and stable prices, and allows market participants to adjust to a new WTO-compatible regime. A transitional approach has been supported in principle by the vast majority of Latin American suppliers, the Caribbean, the Ivory Coast, Cameroon, and Community producers. It is the approach most likely to safeguard the interests of all producing regions and deter continuing discord on this issue, one that now once

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PHOTO OF THE DAY



Ecuadorian Government and Police Minister Mauricio Gandara said Wednesday his country would not become politically aligned with Venezuela. See related story on page 2.

Photo: Ecuadorian government.

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NEWS BRIEFS

Brazilian Congress Seeks to Impeach Dirceu

Brazil's Congress on Wednesday launched impeachment proceedings against Deputy Jose Dirceu, President Luiz Inacio "Lula" da Silva's former cabinet chief, on accusations Dirceu oversaw an alleged scheme by the ruling Workers' Party to bribe some lawmakers in exchange for their political support. Dirceu, who resigned as cabinet chief in June, vowed to defend himself, "because I committed no crime."

Source: Associated Press.

Pinochet's Wife and Son Arrested in Chile in Tax Evasion Case

Chilean authorities on Wednesday arrested the 82 year-old wife and youngest son of ex-dictator Augusto Pinochet and charged them with being accomplices in a tax evasion scheme involving the former ruler's multimillion dollar fortune overseas. In a statement, Pinochet denied any wrongdoing and said his wife and son were innocent, but took "full responsibility for the facts being investigated." Government spokesman Osvaldo Puccio said the arrests showed "that nobody in Chile is above the law."

Source: Associated Press.

Argentina's Galicia Posts 53.2 Million-Peso First-Half Profit

Argentine banking conglomerate **Grupo Financiero Galicia** on Wednesday reported a first-half net profit of 53.2 million pesos (\$US 18.5 million), compared to a loss of 40.9 million pesos for the same period of 2004. The group said its main banking subsidiary, Banco Galicia, contributed a profit of 145.7 million pesos in the first half compared to a loss of 20 million pesos a year ago.

Source: Reuters.

Political News**Minister: Ecuador Not Seeking Political Alignment with Venezuela**

Ecuadorean Minister of Government and Police Mauricio Gandara on Wednesday sought to assure Wall Street investors that his country would not become politically aligned with the government of leftist Venezuelan President Hugo Chavez despite continuing financial cooperation, Reuters reported. "We won't have the same political alignment as Venezuela, but that doesn't mean we can't have a relationship with them," Gandara was quoted as saying during a visit to New York. "Ecuador is free to do international transactions without any political commitment to Venezuela." Venezuela has reportedly agreed to buy up to \$300 million of an

“We won't have the same political alignment as Venezuela, but that doesn't mean we can't have a relationship with them.”

- Ecuadorean Government and Police Minister Mauricio Gandara

upcoming debt issue by Ecuador, which is seeking financing to balance the budget and fund planned social projects. However, after announcing the deal with Venezuela two weeks ago, Ecuadorean Finance Minister Rafael Correa stepped down, saying that President Alfredo Palacio was angry with him for pursuing the Venezuela loan deal without consulting him. Correa was replaced by his vice minister, Magdalena Barreiro, on Monday. While distancing his government from that of Venezuela, Gandara said yesterday that Ecuador would respect a 1999 agreement with the United States allowing a US military base to operate for 10 years in Ecuador. However, Ecuador is not likely to get involved in the US-backed drug war in neighboring Colombia, despite international pressure to do so, the minister said. Gandara also said yesterday that Ecuador expects to hold a referendum in October to overhaul its political system, including the possible replacement of its existing presidential system with a parliamentary government.

Company News**Brazil's CADE Okays CVRD Purchases, With Conditions**

In what analysts have called Brazilian antitrust authority CADE's most important ruling ever, the competition agency on Wednesday approved the purchase of iron ore mines by mining giant **CVRD** between 2000 and 2001, but with conditions, according to Reuters. In its ruling, CADE said CVRD—the world's largest iron ore miner—would have to end a deal by which it has first choice on excess output from Casa de Pedra mine owned by steelmaker **CSN** and regroup its stake in **MRS Logistica** railway. Alternatively, CVRD could sell the **Ferteco** mining company, CADE said. A spokesman for CVRD said the company would analyze the deci-

sion. It could take the case to court. The company is expected to hold a press conference today. CVRD acquired 80 percent of iron ore production in Brazil between 2000 and 2001 after buying five local mining firms. Yesterday the company reported a record second-quarter net profit of 3.5 billion reais (\$US 1.5 billion) amid higher prices and strong sales, according to Reuters. "All signs indicate that excess global demand for iron ore will continue," the company said, noting continued strong demand from China.

America Movil Buying TIM Peru for \$504 Million

Regional mobile telephony giant **America Movil** announced Wednesday that it had bought the Peruvian unit of **Telecom Italia Mobile** for 407 million euros (\$US 504 million). It was the second acquisition to be announced by the Mexico-based company in as many weeks, as it continues an aggressive expansion aimed at giving it a presence in every major market of Latin

America. Last week, America Movil said it would enter the Chilean market by buying 100 percent of Chile's third-largest mobile operator, **Smartcom**, for \$472 million from Spanish power company **Endesa**. With 1.4 million subscribers and a 31 percent market share as of the end of June, **TIM Peru** is Peru's second-largest mobile firm after the local unit of Spain's **Telefonica Moviles**, America Movil's main rival in the region. America Movil was awarded a license to provide mobile services in Peru in April [Editor's note: see related Q&A in the April 8, 2005 issue of the weekly *Latin America Telecom Advisor*]. With operations in 12 Latin American countries and the United States, America Movil had some 73.8 million subscribers at the end of June. Chief Executive Daniel Hajj said last month the company was looking to enter into markets where it does not have a presence, including Venezuela, Panama, and Bolivia. The mobile giant, which last month boosted its investment plans for this year to \$3 billion, is considered a likely buyer of Venezuela's third-largest mobile operator, **Digitel**, after Venezuelan regulators rejected **CANTV's** bid to acquire Digitel from Telecom Italia in May.

Tupperware Sees LatAm Growth with Purchase of Sara Lee Unit

Chicago-based **Sara Lee Corp.** announced Wednesday it had agreed to sell its direct sales business to **Tupperware Corp.** for \$557 million in cash, which Tupperware said would allow it to expand its business in Latin America and Asia. The unit markets beauty and personal care products in 18 countries across Latin America and Asia, according to a Sara Lee press release. The business generated about \$470 million in sales in fiscal 2005. "We see substantial growth opportunities for the direct selling channel in Latin America and Asia Pacific, and strongly feel that beauty and personal care products will be the major driver of that growth," said Rick Goings, chairman and CEO of the Orlando-based Tupperware. Tupperware says the acquisition will increase beauty and personal care products to about 35 percent of total sales, up from 12 percent, according to the Associated Press.

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Anti-Immigration Activist May Run for Open House Seat in California

Jim Gilchrist, a co-founder of the Minuteman civilian border patrol group, is reported to be "seriously considering" a run for Congress as an independent, promising to make illegal immigration his top priority, according to a press report citing a fundraising email from his staff. The 48th Congressional District of California, where Gilchrist resides, is vacant due to President George W. Bush's appointment of Rep. Chris Cox as head of the Securities and Exchange Commission.

Source: WorldNetDaily.com.

Rep. Meek Raises "Serious Concerns" Over Haitian Judicial System

Rep. Kendrick B. Meek (D-FL) on Monday wrote a letter to Haitian Prime Minister Gerard Latortue to express his "serious concerns" over the state of the Haitian judicial system. Meek called the recent arrest of Reverend Gerard Jean-Juste the "latest in a string of highly questionable actions by the Haitian judicial system." Meek also reiterated his long-standing concerns over the continued imprisonment of former Haitian Prime Minister Yvon Neptune, who has been in jail since June 2004. "False arrests, indefinite detentions, political prosecutions and irregular trials undermine the rule of law and support for Haiti in this country and abroad," Meek said. Yesterday, Haiti's new justice minister, Henri Dorlean called for the release or immediate trial of hundreds of prisoners being held without charge. "Depriving people of their freedom is a serious matter and keeping people in jail for months and months without trying them is a serious and unacceptable violation of their human rights," Dorlean said.



Kendrick Meek
Photo: Office of Rep. Meek.

Source: Office of Rep. Meek, Reuters.

Senator Lugar Scheduled to Meet with Press Freedom Advocates

Led by journalists from Peru and Guatemala, a delegation from the Inter-American Press Association, a Western Hemisphere watchdog group, planned to meet Wednesday with Sen. Richard Lugar (R-IN), chairman of the Senate Foreign Relations Committee, to discuss a proposal before Congress meant to enable journalists to keep sources confidential. The IAPA delegation was visiting Washington to show solidarity with Judith Miller, the reporter with *The New York Times* who has been jailed since July 6.

Source: Associated Press.

Editor's Note: Congress has been out of session this week and is scheduled to reconvene September 6, 2005.

Featured Q&A*Continued from page 1*

again threatens the success of the Doha Round."

A Guest Comment: Richard Bernal: "Further to the arbitrators' ruling of August 1, the Doha ministerial decision of November 2001 requires the EC to consult with the MFN (most-favored nation) countries. The two sides met for the first time since the ruling on August 5. Preceding their meeting with the Latin banana-producing countries, there was a meeting between the ACP Banana Working Group and the European Commission on August 4, which agreed on the need for both sides to remain in continuous dialogue. The task ahead is to define the MFN tariff level, as regards the tariff-only system. The arbitrator's ruling is not final, and so it is premature to comment on the prospects for Caribbean banana-producing countries. However, the arbitrator's decision serves to highlight the Caribbean's concerns about the marginalization of vulnerable economies within the global trading system, which in this case puts at risk the continued viability of the banana export industry. What is at stake for Caribbean-banana producing countries is secure access to the European market at remunerative prices. A threat to secure market access puts at risk the livelihoods of tens of thousands of families in the Caribbean and puts at risk an industry which is a vital source of foreign exchange earnings in these economies, with relatively undiversified export structures. The viability of the banana industry in these countries is under threat at a time when preferential treatment of another key commodity export—sugar—has been challenged in the WTO, following plans unveiled by the EC on June 22 for an overhaul of the common market organization for sugar."

A Guest Comment: Donald Planty: "Sometimes it seems like the banana wars will never end. However, the WTO decision ought to be the final nail in the coffin of the EU's prejudicial import regime

directed against the Latin Americans who are not beneficiaries of the old Lome Convention. In a world striving toward free trade, the Latin American banana producers obviously deserve the same level playing field as the Caribbean producers. This is not to say that the WTO decision does not have serious implications for Caribbean banana farmers. The small island producers, like St. Lucia for example, have long depended on favorable treatment from European importers to keep parts of their agricultural economy afloat. This is especially true of commodities like bananas. However, countries must adjust. It is long past hand-wringing time in the islands and time for concrete measures to deal with the competitive environment. Governments and banana growers alike have seen this situation coming for several years. Many in the island Caribbean have waited too long for a *deus ex machina* rescue from Europe rather than recognizing reality and adopting programs that will help the sector adjust and subsequently compete in a freer trade environment. It may be that banana growers will need to diversify away from this single crop toward other, more sustainable agricultural products. Or, as in the case of the Central American coffee growers, diversify out of coffee into real estate, tourism, and other, more competitive ventures."

Manuel Rodriguez is Senior Vice President of Government and International Affairs & Corporate Responsibility Officer at Chiquita Brands International.

Richard Bernal is Director General of the Caribbean Regional Negotiating Machinery.

Donald Planty is President of Planty & Associates LLC and a former US Ambassador to Guatemala.

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