

Inter-American Dialogue

LATIN AMERICA ADVISOR

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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 The Colombian government last week proposed the coastal city of Cartagena to be the site of the World Tourism Organization's 2007 General Assembly. What is the case for Cartagena, or for any other Latin American tourist destination, to be the site of the Assembly? Where does Latin America stand vis-a-vis other regions in competing for global tourism revenues?

A **Board Comment: Beatrice Rangel:** "I could not think of a better place in the world than Cartagena to hold the 2007 General Assembly of the World Tourism Organization. Not only is it one of the few well preserved historical cities in the Americas, but its Caribbean surroundings are among the world's wonders. Latin America and Colombia, however, face rising obstacles to developing tourism services. Except for Malaysia and Singapore, which have managed to put a cap on street crime, rising crime rates in the rest of the developing world are practically an insurmountable constraint to develop tourism destinations. This affects Asia, Africa, and Latin America. Next, you need to add political stability. While Bolivia has imposing landscapes and wonderful cities, only individuals with a taste for adventure would select the country as a vacationing destination on account of instability and crime. The same scourges affect tourism destinations in Central America, where only Costa

Rica has been able to exploit the ecologist niche of that market. Another flaw that is visible in most third world nations is the lack of ancillary entertainment services at tourist sites. Good restaurants, sports directors, and well organized social events are scarce. As a result, many middle class families from the US and Europe refrain from selecting developing nations as vacationing destinations. Finally, communication services are way too expensive in the developing world, thus making it difficult for the breadwinner in a middle class family to stay connected to peers and colleagues at home. Nonetheless, I believe that tourism to Latin America is about to

Continued on page 4

PHOTO OF THE DAY



Former Ecuadorean President Lucio Gutiérrez said Thursday he was renouncing his political asylum in Colombia and would return home to try to retake power. See story, page 2.

Photo: United Nations.

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NEWS BRIEFS

Argentina, Chile Suspend Meat Imports from Brazil

Argentina and Chile on Thursday suspended imports of meat from Brazil after the discovery this week of highly contagious foot-and-mouth cattle disease in Brazil. Argentina suspended imports of all Brazilian meat, while Chile said it banned all meat imports from Brazil's midwestern farming state of Mato Grosso do Sul, where the outbreak was detected this week. The 25-nation European Union, as well as Russia, Israel and South Africa have also suspended Brazilian meat imports.

Source: *Associated Press.*

Brazilian Miner CVRD to Issue \$500 Million in 40-Year Bonds

Brazil's CVRD, the world's biggest iron ore miner, plans to issue \$500 million in 40-year bonds, Chief Executive Roger Agnelli said Thursday. The announcement came after **Standard & Poor's** said Monday it was raising CVRD's debt rating two notches into investment grade.

Source: *Reuters.*

Ford Motor Co. Appoints Top Executive for the Americas

Ford Motor Co. said Thursday it has appointed Anne Stevens chief operating officer for the Americas as part of a drive to turn around the automaker's North American business. The 56 year-old Stevens, currently group vice president for Canada, Mexico, and South America, will report to Mark Fields, president of Ford for the Americas region. Ford said Stevens will lead the company's core operations in the Americas, including product development, manufacturing and purchasing.

Source: *company statement.*

Political News**Gutierrez Says He Will Return to Ecuador to Retake Power**

Former Ecuadorean President Lucio Gutierrez said Thursday he was renouncing his political asylum in Colombia and would return home to try to retake power. According to Reuters, Gutierrez told reporters in Bogota he would fly to Ecuador on Friday "to take the legal and constitutional actions needed to retake the power that is illegally being held by the usurper," referring to Alfredo Palacio, who took over as president in April when Congress voted to remove Gutierrez after his dismissal of the Supreme Court provoked widespread protests. Ecuadorean officials said police would arrest Gutierrez as soon as he arrives in the country on charges of endangering national security by refusing to recognize Palacio as his suc-

Ecuadorean officials said police would arrest Gutierrez as soon as he arrives in the country on charges of endangering national security by refusing to recognize Palacio as his successor.

cessor, Reuters reported. In a research note published this morning, **Credit Suisse First Boston** said that Gutierrez's return to Ecuador could add to Palacio's domestic political headaches. "Gutierrez's possible return comes at a time when President Palacio's government looks weak and tensions with Congress are high," CSFB said. "Nonetheless, the former president's support in Congress and among the population has diminished over the past several months. His return is unlikely to precipitate a political crisis, but it could prove to be a serious distraction for the Palacio government." Several top officials in Palacio's government have resigned in recent weeks due to spats with the president. On Wednesday, Oswaldo Molestina resigned as interior minister after just a little more than a month in the post because of differences with Palacio on a national referendum on proposed political reforms.

US, Mexico to Increase Cooperation in Fight Against Border Violence

The US and Mexico vowed Thursday to increase law enforcement and cooperation along the border to stem a surge in drug war violence, Reuters reported. "Mexico and the United States will act as a single unified chokehold whose efforts will overwhelm organized crime that threatens the border area, a sensitive region of shared interest to both countries," Mexican Attorney General Daniel Cabeza de Vaca was quoted as saying in a joint press conference with US Attorney General Alberto Gonzales. Gonzales said the US and Mexico would share information, equipment, training techniques, and technical assistance in areas such as port security, forensics, prison security, cross-border



Gonzales
Photo: DOJ.

currency control, and drug and arms trafficking. Gonzales also said the US would expand its "Violent Crime Impact Team" program to Laredo, which lies across the border from Nuevo Laredo, one of the areas worst-hit by violence in recent months. "These rapid-response teams, led by the Bureau of Alcohol, Tobacco, Firearms, and Explosives, target hot-zones for violent activity and identify a community's worst offenders," Gonzales said. "They combine the resources of federal, state, and local law enforcement—and, in this case, work with our international partners—to investigate and prosecute violent crimes. Hundreds of people have been killed in the past 18 months in northern Mexico amid turf battles between violent drug gangs. Besides Nuevo Laredo, the northern Mexican cities of Matamoros, Ciudad Juarez, and Tijuana, have also been stung by the violence.

Company News

Occidental to Boost Presence in Latin America with Acquisition of Vintage

The US' **Occidental Petroleum Corp.** announced Thursday that it had agreed to acquire smaller rival **Vintage Petroleum** to boost its presence in California, the Middle East, and Latin America. In a press release, the Los Angeles, CA-based Occidental said it would pay \$3.8 billion to buy Vintage in a cash, stock, and debt deal. The acquisition gives Occidental, which is one of the biggest oil producers in Ecuador and Colombia, a presence in Argentina, where 50 percent of Vintage's total proven reserves of 437 million barrels of oil equivalent are located. Occidental CEO Ray Irani said Vintage's Argentina operations produced some 37,000 barrels of oil equivalent in the second quarter of this year, compared to combined output of 70,000 barrels of oil per day in Colombia and Ecuador during the same period. "We hope to double Vintage's production from Argentina within five years," Irani said. Vintage produced 11,000 and 4,000 barrels per day in California and Yemen, respectively, in the second quarter. Occidental said it would divest Vintage's "non-strategic assets" in East Texas, along the US Gulf Coast, and in the Mid-Continent region. Those assets accounted for about 19,000 oil equivalent barrels per day in the second quarter. Occidental plans to invest some \$150-\$200 million per year to increase reserves and production acquired from Vintage. The acquisition is expected to close in the first quarter of 2006, pending regulatory approvals.

Bank of America Selling Mexico Asset Mgmt. Business to Santander

US financial giant **Bank of America** said Thursday it had agreed to sell its asset management business in Mexico to the local unit of Spain's **Grupo Santander**. In a press release, Bank of America said it decided to sell the Mexico asset management business "because it did not have sufficient synergies with the company's corporate and investment banking and cash management businesses in Mexico."

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Groups Urge Senators to Oppose Proposed Change in WTO Farm Policy

Critics of a Bush administration proposal to change global trade rules on agricultural subsidies said Wednesday they sent a letter to two powerful senators urging them to oppose the proposal on the grounds it would hurt small farmers around the world. In the letter to Senate Finance Committee Chairman Charles Grassley (R-IA) and the Committee's ranking Democrat, Max Baucus (MT), 20 US family farm, religious, conservation, and other "fair trade" groups said the proposal by the US Trade Representative's office to shift "counter-cyclical" US farm bill payments to the World Trade Organization's so-called "Blue Box" category was an attempt to preserve the status quo in US agriculture policy, which they said encourages overproduction, dumping, and the depression of farm commodity prices at the expense of small farmers. "The USTR's Blue Box proposal is designed to help facilitate the continuation of current US agricultural trade policy without acknowledging its obvious shortcomings, which are indefensible from either a domestic cost or an international fairness standpoint," the letter stated. Earlier this week, US Trade Representative Rob Portman announced a US offer to reduce US agricultural subsidies by 60 percent on the condition that the European Union and Japan, which spend more, lower theirs by 80 percent. Critics of the offer say, however, that it does nothing to benefit developing countries.

Source: Institute of Agriculture and Trade Policy.

Surprise Candidate Brings Immigration to Forefront of Calif. House Race

Illegal immigration is expected to be a top issue in the race to fill the vacant House seat for California's 48th district after a staunch advocate of tougher border enforcement made a surprisingly strong showing in an October 4 special election. Retired accountant Jim Gilchrist, whose creation of the "Minuteman Project" volunteer force to help the US Border Control catch illegal immigrants from Mexico grabbed national headlines this year, finished third in the race to succeed former Rep. Christopher Cox, who resigned on August 2 to become chairman of the Securities and Exchange Commission. Gilchrist, a first-time candidate and member of the American Independent Party, received 15 percent of the vote, more than the top Democrat, Steve Young. Gilchrist will face Republican state Sen. John Campbell in a December 6 runoff vote.



Jim Gilchrist
Photo: Gilchrist for Congress.

Source: Los Angeles Times, Orange County Register.

Bank of America did not disclose the terms of the sale, which is expected to close by the end of the first quarter of next year, but said that **Grupo Financiero Santander Serfin** "submitted the most competitive bid among all participating institutions." Bank of America owns 24.9

percent of Grupo Financiero Santander Serfin, Mexico's third-largest bank. Bank of America said its asset management business in Mexico has some \$1.8 billion under management, comprised of wealth management and mutual fund operations.

Featured Q&A*Continued from page 1*

boom, springing from the increasing demand for such services in China. Chinese tourism inflows to the region have doubled over the past four years. Given that Chinese tourists do not demand the sophisticated amenities that are essential to attract tourists from the US or Europe, they find Latin America's infrastructure adequate enough for their vacationing needs.

A Guest Comment: Bobby Booth:

"First, Cartagena is an ideal site for the WTO's 2007 General Assembly. It is located on the coast of South America and the Caribbean. It has an incredible history (which I won't go into at this time due to lack of space); it is beautiful, amazing sightseeing and friendly people. It is also very accessible for all involved and has exactly the kind of highlights that Latin America offers time and time again, destinations with truly beautiful historic sights and sounds. In my opinion, it represents all the best that Latin America has to offer throughout the region. Second, Latin America has been for decades 'the sleeping giant' of tourism in my opinion, but there are signs that it is waking up and is well on its way to becoming what I like to call 'where the action is.' The numbers are significant. The 22-member Latin American Airline Association (AITAL) reports that its overall passenger traffic is up 16 percent in the first seven months of 2005, with intra-Latin American traffic up 28 percent for the year. The US carriers are increasing capacity to meet increased demand on their US-Latin American service, and Delta reported its RPMs (revenue passenger miles) are up 34 percent in the first seven months of the year. Other examples abound: the European Airline Association (AEA) reported their August 2005 South Atlantic traffic growth at 13 percent with the 12 months ended in August up 11.8 percent. The Europeans are 'discovering' South America, with low-cost airlines driving the demand. Latin American governments must wake up to the need for more liberalization, especially within the

region. Tourism is the number one economic engine in the region, and has the greatest impact due to the multiplier effect of tourism dollars spending."

A Guest Comment: Gabe Castaneda:

"Tourism for every country is a priority. For countries that have a significant amount of beachfront, tourism becomes an increased revenue stream and of course an increased priority in those countries ... Mexico in my opinion has a larger tourism opportunity because it is such a large, massive country from a geographic size standpoint, versus an island in the Caribbean. Naturally, you have Japan, the United States, Europe, which typically have larger advertising budgets, so it's probably a little more difficult to promote a destination in Latin America, when you don't have the same level of [advertising] "spend" than if you are Australia or the US. But that being said, I believe that the advertising spend is consistent with the overall tourism revenue. If you look at the tourism revenue of the US, and you look at the tourism spend by the US, that proportion or percentage is probably the same in Latin America. In other words, it is not as if Latin America spends less on advertising; they spend what they can afford to spend based on the percentage of revenue that is coming in from tourism in those countries. The analysis really centers on GDP. You look at a country's GDP, and what percentage of GDP is tourism, and what percentage of the spend of that is tourism advertising. If you compare that vis-à-vis the US, you are probably going to find that the percentages are probably the same, or close, in Latin America."

Beatrice Rangel is a member of the Advisor board, and President and CEO of AMLA Consulting.

Bobby Booth is Chairman of the Board of Aviation Management Services.

Gabe Castaneda is President of advertising agency Castaneda Williams.

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