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Featured Q&A With Our Board of Advisors

Q President Bush last week signed into law a bill that provides \$7.5 billion to boost border enforcement and deter illegal immigration. Will the law have an impact on illegal immigration from Mexico? Will it boost the prospects for congressional passage of a temporary guest worker program?

A **Board Comment: Andres Rozental:** "President Bush has taken the politically expedient—but practically inoperative—way out of getting truly involved in the immigration debate in the US. Instead of following his instincts and experience as a former governor of Texas, Bush has chosen to put forward an immigration reform plan which will never work, even if Congress decides to approve it. The fundamental flaw is that according to the White House explanation, the guest worker program being proposed will only allow immigrant labor to come to the US for two three-year periods before being forced to return to their countries of origin. Without any provision for earned paths to legal residence and citizenship, the millions of undocumented Mexicans currently residing in the US without papers will never agree to enter a temporary worker program that at the end of six years gives them no other option aside from returning to Mexico. Bush should have been more receptive to the McCain-Kennedy formula of earned legalization, with penalties, which is a much

more attractive option for those who are already working in the US and would be tempted to earn their legality through a program for temporary workers."

A **Guest Comment: Mark Krikorian:** "The House is not going to pass [a guest worker program]. They're going to pass an enforcement-only bill in December, probably. Several senators—Frist, McCain, and Cornyn—had a press conference [on Tuesday], and they were talking about January, February of next year, and whatever bill would come out of that might well have a guest worker program in it, which I

Continued on page 4

PHOTO OF THE DAY



BNDES President Guido Mantega, left, met with Brazilian President Luiz Inacio "Lula" da Silva Wednesday while announcing a plan to lend 10 billion reais to the country's pulp and paper producers by 2010. See related story on page 3.

Photo: Agencia Brasil.

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NEWS BRIEFS

Brazilian Real Falls on Concerns Over Increasing US Interest Rates

Brazil's currency, the real, fell as much as 0.9 percent on Wednesday to a two-week low on concern rising US interest rates will drain dollars from Brazil and make the country's securities less attractive to international investors. The changes will likely mean a reduction in liquidity for Brazil. Observers say that faster inflation will lead the US Federal Reserve policymakers to raise their overnight lending rate to 4 percent next week.

Source: Bloomberg News.

Argentine Business Sentiment Has Biggest Monthly Drop Since 2002

Business sentiment in Argentina in September recorded its largest monthly decline since early the height of the country's economic crisis, J.P. Morgan Chase said Wednesday. J.P. Morgan said its index of business sentiment in Argentina, a synthesis of a manager survey done by Argentina's FIEL, fell 1.3 percent last month. "Last month's visible deterioration flashes a yellow light and reinforces J.P. Morgan concerns about medium term prospects," the firm said in a research note, noting robust domestic demand growth in Argentina but lagging investment.

Source: J.P. Morgan Chase.

Cancun Airport "Severely Damaged"

Mexican airport operator Asur said Wednesday its Cancun terminal was "severely damaged" by Hurricane Wilma and that it was too early to say when operations at the airport and at another on the nearby island of Cozumel would return to normal. Cancun airport began flying tourists home on Tuesday after Wilma devastated the area over the weekend.

Source: Reuters.

Political News**Bolivian Groups Near Deadline to Reach Deal or Cancel Elections**

Elections in Bolivia planned for December 4 to choose a new president and Congress are on the verge of being canceled amid a failure by the country's various political factions to reach a compromise on a new regional distribution of seats in the legislature. According to local daily *La Razon*, lawmakers have until tomorrow to strike a deal in compliance with a court-mandated deadline or face the cancellation of the December 4 general election, called by caretaker President Eduardo Rodriguez shortly after he took office in June following the resignation of President Carlos Mesa amid widespread protests. Last month, the South American nation's Constitutional Tribunal ordered Congress to redistribute seats in the legislature in accordance with the most recent national census. The new allocation of seats would alter the balance of power in Congress by giving the provinces of Santa Cruz and Cochabamba a combined six extra seats in the lower house, and stripping the provinces of La Paz, Oruro, and Potosi of the same number. Control of Congress is key in Bolivia, since it is the legislative body that decides the presidential election if no candidate wins a majority of the votes, as is expected to happen in the upcoming election. Radical coca farmer Evo Morales of the opposition Movement Toward Socialism leads in polls ahead of the election, and his supporters see the redistribution of seats in Congress as a ploy to keep him from power. As a compromise, Rodriguez has proposed giving just two extra seats to Santa Cruz, Bolivia's wealthiest province, and has threatened to bypass Congress by issuing a decree if the country's political groups fail to resolve the stand-off. Bolivia's military has warned all sides to avoid confrontation, *La Razon* reported yesterday. [Editor's note: see related Q&A in the September 28, 2005 issue of the *Latin America Advisor*.]



Rodriguez
Photo: Andean Community

Nicaraguan Congress Rejects Lifting Immunity for Bolanos

Contributing to a further easing of political tensions in Nicaragua, the Central American country's opposition-dominated National Assembly on Wednesday rejected a legislative commission's recommendation to lift President Enrique Bolanos' immunity from prosecution, the Associated Press reported. Bolanos' Constitutional Liberal Party (PLC), which effectively joined the opposition after Bolanos pursued corruption charges against PLC leader and former President

“There was total recognition that it had been a political persecution that made no sense, that they were clear and aware that President Bolanos never committed a crime.”

- Bolanos spokesman Lindolfo Monjarretz

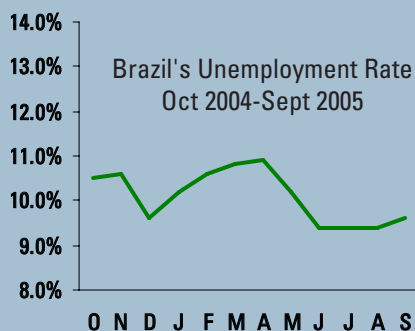
Arnoldo Aleman, voted against the commission's recommendation, while members of the opposition Sandinista Front Party of ex-President Daniel Ortega abstained from voting. The two parties had initially driven the effort to lift Bolanos' immunity so he could be charged with election fraud, but have retreated in recent weeks amid intense pressure from the Organization of American States and the United States, which earlier this month threatened to drop Nicaragua from a proposed free trade agreement with Central America and withhold \$175 million in aid if Bolanos was not allowed to finish his term. "There was total recognition that it had been a political persecution that made no sense, that they were clear and aware that President Bolanos never committed a crime," said presidential spokesman Lindolfo Monjarretz, according to local daily *La Prensa*. On October 11, Bolanos reached a deal with Ortega to postpone until after the end of Bolanos' five-year term on January 10, 2007 reforms that would have stripped the president of some of his powers.

Economic News

Ecuador's Congress Passes Measure to Secure \$400 Million FLAR Loan

Ecuador's Congress on Wednesday approved a measure aimed at securing a \$400 million loan from the Latin American Reserve Fund (FLAR), Reuters reported. The measure is aimed at getting around a FLAR requirement that Ecuador fill four vacant seats on the board of its Central Bank by providing a one-time exception to a rule that says the board must issue a report on the country's balance of payments problem as the basis for the loan. Filling the vacant seats has been held up by political conflict between President Alfredo Palacio, who took office in April following the ouster of Lucio Gutierrez, and Congress, which is fighting Palacio's proposal to hold a popular referendum on a constituent assembly that would draw up a new Constitution. Despite the move by Congress yesterday to secure the FLAR loan, analysts are skeptical that the Fund will disburse the loan, saying it will most likely stick with its condition that Ecuador fill the vacant seats on the Central Bank board, according to Reuters.

Jobless Rate in Brazil Inches Up in September



Brazil's unemployment rate rose to 9.6 percent in September after holding at a three-year low of 9.4 percent for three straight months. The increase in joblessness suggested that economic growth is slowing. Brazil's economy is expected to expand 3 percent this year after growth of 4.9 percent last year.

Source: IBGE, Reuters.

Special Announcement

Andres Rozental, President of the Mexican Council for International Relations, Has Joined the Latin America Advisor Board.



The *Latin America Advisor* is pleased to announce that **Andres Rozental** has joined the Board of Advisors. Prior to his election on January 1, 2002 to a four-year term as president of the Mexican Council for International Relations, Rozental served as ambassador-at-large and special envoy for President Vicente Fox. A career diplomat for 30 years, Rozental was Mexico's ambassador to the United Kingdom from 1995 to 1997, and has also served as Mexico's deputy foreign minister (1988-1994), ambassador to Sweden (1983-88), and permanent representative of Mexico to the United Nations in Geneva (1982-83). In mid-1997, he left government to establish the international consulting firm Rozental & Asociados. Rozental obtained his professional degree in international relations from the Universidad de las Americas in Mexico, and his Master's in International Economics from the University of Pennsylvania. Currently, Rozental holds non-executive board positions in several important multinational corporations in Spain, the Netherlands, France, the United Kingdom, and Mexico. He is also a member of the Inter-American Dialogue, vice chair of the Stockholm-based International Institute for Democracy and Electoral Assistance (IDEA), and a member of the board of the Pacific Council on International Policy.

BNDES to Loan Pulp and Paper Industry 10 Billion Reais by 2010

Brazil's national development bank BNDES will loan 10 billion reais (\$US 4.3 billion) to pulp and paper producers before 2010, BNDES President Guido Mantega said Wednesday, according to Reuters. The figure will account for about half of the total the industry plans to invest over the next five years, Mantega said. It includes 2.59 billion reais of the total 4.33 billion reais that pulp maker **Suzano** plans to invest in a new pulp production facility in northeastern Bahia state. The facility is expected to add 1 million tons of eucalyptus pulp to Suzano's annual output. "With this project we are starting the approval phase for big projects in the area of basic raw materials and infrastructure," Mantega was quoted as saying during a meeting with President Luiz Inacio Lula da Silva and business-

men. In related news, Brazilian police on Wednesday staged raids in four Amazon states and arrested 35 people accused of forging and selling false permits to transport millions of dollars worth of hardwood timber, according to Reuters. It was the fifth such raid launched against illegal logging in Brazil's vast Amazon rainforest since President Luiz Inacio Lula da Silva took office in 2003. "We've cut the backbones of these gangs," Environment Minister Marina Silva was quoted as saying. The government says its crackdown on illegal logging and tighter law enforcement this year slowed deforestation of Brazil's Amazon by half after it reached its second-highest level ever last year. It estimates up to 60 percent of Amazon timber is now produced legally compared with about 20 percent in 2000. However, environmental groups say the slower pace of deforestation is due to a slump in farming rather than government action.

Featured Q&A*Continued from page 1*

would say is more likely than not. The question then is, what do the House and Senate conferees come up with as a common bill which they then take back to their respective chambers? There are several scenarios. One is that the House leadership says under no circumstances will they accept a guest worker bill and they simply let the thing die. Or they accept the guest worker provisions and take it back to their House members, and then the question is, do they kill the whole thing because of the guest worker provisions or not? That's a good question. I suspect that if the House is presented with an enforcement bill that also has a guest worker amnesty in it, that they would vote it down. It's going to be too close to election day in 2006 for members to approve what can only be described as an amnesty. So I have to say, I wouldn't bet my car payments on anything, but I'd bet lunch on the House and Senate each passing something, but nothing reaching the president's desk."

Board Comment: Beatrice Rangel: "From the Quin Dynasty in China to the Bush administration, the only thing that does not work is walls. What does work, although it takes time, is a coherent policy of economic incentives for Latin America aimed at creating jobs and fostering development rates so that people stay home because they see a better future for them and their children ... No administration has yet produced a serious policy aimed at strengthening the institutional framework of the emerging democracies of Latin America. As a result, economic stagnation for the many coupled with preferential application for the rule of law have sent the people of Latin America in the search for 'saviors' that are weakening further the institutional framework, while creating severe long term bottlenecks for self-sustaining growth. This increases instability and with instability migratory inflows into the US tend to grow. Labor quotas and the like are only temporary measures that will soon prove inappropriate to deal with the issue of matching migrato-

ry inflows with the needs of the US economy."

Board Comment: Tony Smith: "The \$7.5 billion will certainly help the Border Patrol's efforts along the US-Mexico border. However, I don't believe that it will really deter the flow of illegal immigrants. It may increase the number intercepted, but the flow will continue. Politically, however, it may improve the chance of passage of a guest worker statute. The Senate has a few bills which have been introduced, and there is a great deal of quiet support. McCain-Kennedy, in my view, is the best, and hopefully the final result will tilt that way. The anti-immigration politicians believe we can, by a financial commitment, seal our borders. With 11 million undocumented workers in the US, their position defies logic. Hopefully, however, the additional enforcement dollars will allow them to let a temporary guest worker bill slide through. It may allow Congress to come up with a decent bill, more along the lines of McCain-Kennedy. Among the business and labor community there is support for a good bill. I believe the president agrees, but he will only go so far. By focusing on enforcement, there may be an opportunity to expand the support for something that will work. If that happens, the \$7.5 billion will be a small price to pay for a rational solution to a national problem that needs to be solved as soon as possible."

Andres Rozental *is a member of the Advisor board and President of the Mexican Council for International Relations.*

Mark Krikorian *is Executive Director of the Center for Immigration Studies.*

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

Tony Smith *is a member of the Advisor board and a Partner at Schmeltzer, Aptaker & Shepard.*

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Subscription Inquiries are welcomed at
freetrial@thedialogue.org

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