

# Inter-American Dialogue

## LATIN AMERICA ADVISOR

### BOARD OF ADVISORS

- |   |  |
|---|--|
| <b>Bernard Aronson</b><br>Managing Partner,<br>ACON Investments LLC                                       | <b>Peter Hakim</b><br>President,<br>Inter-American<br>Dialogue                           |
| <b>Diego Arria</b><br>Director,<br>Columbus Group   | <b>Donna Hrinak</b><br>Senior Director,<br>Kissinger McLarty<br>Associates               |
| <b>Genaro Arriagada</b><br>Board Member, Banco<br>del Estado de Chile                                     | <b>Jon Huenemann</b><br>Principal,<br>International<br>Department,<br>Miller & Chevalier |
| <b>Joyce Chang</b><br>Global Head of<br>Emerging Markets<br>Research, J.P. Morgan<br>Chase & Co.          | <b>James R. Jones</b><br>Co-chair,<br>Manatt Jones<br>Global Strategies LLC              |
| <b>Adrian Cruz</b><br>Founder and Senior<br>Partner,<br>Crisis Simulations<br>International, LLC          | <b>Nicolás Mariscal</b><br>Chairman,<br>Grupo Marhnos                                    |
| <b>W. Bowman Cutter</b><br>Partner,<br>E.M. Warburg<br>Pincus   | <b>Juan Felipe Munoz</b><br>President,<br>The Otun Group                                 |
| <b>Rui da Costa</b><br>Managing Director,<br>Latin America & the<br>Caribbean,<br>Hewlett-Packard Co.     | <b>Thomas F. McLarty III</b><br>President,<br>Kissinger McLarty<br>Associates            |
| <b>Dirk Donath</b><br>Managing Director,<br>Eton Park Capital<br>Management                               | <b>Beatrice Rangel</b><br>President & CEO,<br>AMLA Consulting                            |
| <b>Jonathon Flott</b><br>Economist for Latin<br>America, Africa and<br>the Middle East,<br>General Motors | <b>José Antonio Ríos</b><br>International President,<br>Global Crossing                  |
| <b>Wallace Gardner</b><br>Vice President,<br>Worldwide Sales,<br>Chubb & Son                              | <b>Andrés Rozental</b><br>President,<br>Mexican Council on<br>Foreign Relations          |
| <b>Michael Gavin</b><br>Head of Latin<br>America Econ.<br>Research, UBS                                   | <b>Everett Santos</b><br>CEO, Emerging<br>Markets<br>Partnership                         |
| <b>George W. Grayson</b><br>Professor of Govt.,<br>The College of<br>William & Mary                       | <b>Roger Scher</b><br>Head of Latin<br>American<br>Sovereign Ratings,<br>Fitch Ratings   |
|   | <b>Tony Smith</b><br>Senior Counsel,<br>Schmeltzer, Aptaker<br>& Shepard                 |

### Featured Q&A With Our Board of Advisors

**Q** Hundreds of thousands of mostly Hispanic immigrants and their supporters turned out for demonstrations on Monday to call attention to their economic importance to the US and to and pressure Congress to grant legal status to the estimated 12 million undocumented immigrants living in the country. What impact do you think the protests are having on the immigration debate in the US? What are your expectations for an immigration reform bill?

**A** **Guest Comment: Tom Tancredo:** "The activist protesters are trying to confuse the American public by lumping legal immigrants with illegal aliens. A day without legal immigrants would be a day without almost all Americans. A day without illegal aliens, on the other hand, would be a boon to the American taxpayer. The net cost to the federal government in 2002 for public services provided to illegal aliens was \$10.4 billion or \$2,736 per household according to a report by the Center for Immigration Studies. Estimates for 2005 put the amount at \$11.7 billion or \$3,080 per household. A Rasmussen poll released last week showed widespread disfavor of recent immigration protests, with 26 percent holding a favorable opinion and 54 percent holding an unfavorable opinion. Americans don't respond well to illegal aliens who demand amnesty. As I've said before, that doesn't play well in Peoria. Every time illegal aliens and their supporters take to the streets, it

drives home the point to most Americans that illegal immigration is a problem in their home towns, and that we urgently need to get control of our borders."

**A** **Guest Comment: Kenneth Maxwell:** "When over a million people take to the streets without violence it is time to take note just how lucky we are. Look to Paris. It is inconceivable migrants in Europe would protest with such goodwill and such faith in the system. Surely even the xenophobes must realize that the US has enough enemies. To gratuitously 'criminalize' such valuable would-be citizens is sheer folly."

*Continued on page 4*

### PHOTO OF THE DAY



Bolivian President Evo Morales on Tuesday promised to maintain supplies of natural gas to Brazil in the wake of a nationalization decree issued on Monday. See related story on page 2.

*Photo: Agencia Brasil.*

### Inside This Issue

<b>FEATURED Q&amp;A:</b> What Impact Did Monday's Protests Have on the Immigration Debate?.....	1
Banco Itau to Buy BankBoston's Brazil Ops in 4.5 Billion-Real Deal .....	2
News Briefs: Mexico Presidential Poll, Mexican Q1 Growth, Brazil's Petrobras .....	2
Chile to Put Excess Copper Revenue into Investment Fund.....	2
America Movil's First-Quarter Profit More Than Doubles.....	3

## NEWS BRIEFS

**Calderon Leads Lopez Obrador in Another Newspaper Poll**

Felipe Calderon, the candidate for president from Mexico's conservative PAN party, has overtaken left-leaning Andres Manuel Lopez Obrador in a monthly poll published by local daily *Milenio*. Bloomberg News reported on Tuesday. According to the poll, conducted April 26-29, 36 percent of likely voters plan to cast their ballots for Calderon, versus 33 percent for Lopez Obrador, a reversal from a 34-31 percent edge for Lopez Obrador last month. It was the first time Calderon led in the *Milenio* poll and echoed the findings of a poll published last week by *Reforma* newspaper, which also gave Calderon the lead for the first time.

**Mexican Economy Grew 5 Percent in the First Quarter**

Mexico's economy grew more than 5 percent in the first quarter amid a strong increase in industrial production, the finance ministry said Tuesday, according to Reuters. Mexico's economy should grow 3.7 percent this year, according to the average forecast by six Wall Street firms surveyed by the *Advisor* in March.

**Brazil's Petrobras May Bid on Houston Refinery**

Brazilian state-run oil company **Petrobras** may bid on the 270,000 barrel per day Lyondell-Citgo refinery in Houston when a formal request for bids is issued, Petrobras' director for refining, Pavlo Roberto, said Tuesday, according to Reuters. Co-owners **Lyondell Chemical Co.** and **Citgo Petroleum Corp.**, the US unit of Venezuela's state-owned **PDVSA**, announced last month they were putting the refinery up for sale.

## Economic News

**Brazil Recognizes Bolivian Gas Takeover, Lula to Meet with Morales**

The Brazilian government said Tuesday it recognized Bolivia's right to nationalize its gas sector, but said it would defend the interests of state-run Petrobras, the largest investor in the sector. "The decision by the Bolivian government to nationalize its subsoil wealth and control its industrialization, transport, and commercialization is recognized by Brazil as an act inherent to its sovereignty," the government of President Luiz Inacio Lula da Silva said in a statement. "The Brazilian government will act with firmness and calmness in all fora to preserve the interests of Petrobras and carry forward the necessary negotiations to guarantee a balanced and mutual-

es as a result of the takeover. They have 180 days to accept the terms of the nationalization and sign new contracts. Bolivia has the second-largest reserves of natural gas in South America after Venezuela, and is a major supplier of gas to Brazil and Argentina. Bolivia also plans to raise the price of gas exports to those two countries. Brazil depends upon Bolivia for about half of the natural gas it consumes, which accounts for about 7.5 percent of Brazil's total fuel needs.

**Chile to Put Excess Copper Revenue into Investment Fund**

Chilean government income in excess of a fiscal surplus of 1 percent of gross domestic product per year will go to an economic stability fund for offshore investment, Finance Minister Andres Velasco said Tuesday, according to Reuters. The meas-

*Lula plans to meet with Morales, as well as with Venezuelan President Hugo Chavez and Argentina's leader, Nestor Kirchner, in the Brazilian border city of Foz do Iguacu on Thursday to talk about South American energy integration in light of Bolivia's action.*

ly advantageous relationship for the two countries." The statement was issued after Lula held an emergency meeting with his top advisors and cabinet ministers to discuss the Bolivian move, which caught many companies by surprise because of its toughness [see reaction to the nationalization in box on page 3]. Lula also talked with Bolivian President Evo Morales via telephone yesterday and plans to meet with Morales, as well as with Venezuelan President Hugo Chavez and Argentina's leader, Nestor Kirchner, in the Brazilian border city of Foz do Iguacu on Thursday to talk about South American energy integration in light of Bolivia's action. Under the decree, announced Monday by Morales, 82 percent of the proceeds from production at Bolivia's largest gas fields will go to the state, while the remainder will go to the companies to cover the costs of production and investments, and for profits. The companies, which besides Petrobras include Spain's **Repsol** and France's **Total**, are expected to suffer loss-

ure is aimed at preventing windfall profits from copper sales, Chile's largest export, from upsetting the country's economy, Velasco said. "The purpose is that social spending will not be exposed to variations in the economic cycle or the copper price, together with orienting public savings in order to fortify the competitiveness of the Chilean economy," the minister was quoted as saying. The government plans to create a new fund to invest abroad. The fund would replace existing copper compensation funds and save the fiscal surplus to finance the budget in years of deficit. Chile is the world's largest producer of copper, and has been reaping huge benefits from record world prices for the metal.

## Company News

**Banco Itau to Buy BankBoston's Brazil Ops in 4.5 Billion-Real Deal**

Brazilian financial services group **Banco**

**Itau Holding Financiera** announced Tuesday that it had agreed to acquire BankBoston's Brazil business from North Carolina-based **Bank of America**. Itau will issue 68,518,000 non-voting shares, worth about 4.5 billion reais (\$US 2.18 billion) and equal to an approximate 5.8 percent share of Itau's total capital, as part of the deal. Itau said it would be "the largest stock swap ever to be completed in the Brazilian financial services industry." Itau will also have the exclusive right to acquire BankBoston's operations in Chile and Uruguay, the 12th and third largest banks in those countries by assets, respectively. **BankBoston Brazil** has 23 billion reais in assets and a strong brand in the high net worth individuals segment, including a significant credit card operation, as well as the small, middle market, and large corporate sectors. Under the terms of the deal, Bank of America will become a shareholder of Itau and will appoint one member of Itau's board of directors. Analysts have been expecting more consolidation in Brazil's financial services sector for some time. "This acquisition is in line with our argument that Brazilian banks should use their highest ever multiples to buy financial assets," **Banco Pactual** analyst Pedro Guimaraes wrote Tuesday in a research note. Guimaraes added that the BankBoston acquisition could force Itau's competitors, like **Banco Bradesco**—Brazil's largest private bank—to act. He said Itau could become "the leader in retail banking for the first time," which adds "an even larger pressure" on Bradesco management to take action.

### America Movil's First-Quarter Profit More Than Doubles

Mexico-based regional mobile giant **America Movil** on Tuesday reported a 9.95 billion-peso (\$US 907 million) first-quarter net profit, more than double that of a year ago, and said it surpassed the 100 million subscriber mark during the quarter. America Movil, which has operations in 13 Latin American countries and the United States, said in a press release that revenues rose 26.4 percent year-on-year to 51 billion pesos, while EBITDA (earnings before interest, taxes, depreciation, and

### Worldwide Reaction to Bolivia's Nationalization Decree

"Petrobras will take all necessary measures to protect its rights. All. Whatever they may be, at all levels."

- Sergio Gabrielli, president of Brazil's state-run Petrobras, the largest investor in Bolivia's hydrocarbons sector.

"The truth is that I do not know how this will go, but the issue is a source of consternation now that business logic has been removed ... It's an unjust measure against the international companies that have been working in Bolivia."

- Antonio Brufau, chairman of Spain's Repsol, another large investor in Bolivia's hydrocarbons sector.

"We'd hoped there would be a process of discussion and consultation before [Bolivia] adopted such measures."

- Johannes Laitenberger, chief spokesman for the European Commission.

"This measure is not applicable here, no way, since Peru already tried this years ago with results that were not positive ... In this case, it is a sovereign decision of the Bolivian people."

- Peruvian Prime Minister Pedro Pablo Kuczynski.

"Venezuela will help Bolivia move forward and build its own path so that it can manage its natural resources in a truly free and self-determined way."

- Venezuelan Foreign Trade Minister Gustavo Marquez

"I'm not going to try to dictate a particular course of action for the Bolivian government or any other government in terms of the judgments that they make about what is best for their people and the development of their country. We do, however, put a marker out there in terms of potential effects on contractual obligations and how that might affect the overall investment climate in the country."

- US State Department spokesman Sean McCormack

"Not only will forced nationalization hurt Bolivia's relations with its friends and neighbors, such as Brazil, but it could also have a negative impact on US-Bolivia relations."

- US Rep. Dan Burton (R-IN), chairman of the House International Relations Subcommittee on the Western Hemisphere

amortization) increased 40.7 percent to 18.35 billion pesos, a margin of 36.2 percent. The company ended the quarter with 100.6 million subscribers, led by 15.3 percent quarterly growth in Colombia, one of the region's fastest growing markets. America Movil should see its subscriber

base further expand following its acquisition—together with fixed-line affiliate **Telefonos de Mexico**—of a 28.5 percent stake in Venezuela's CANTV. CANTV's mobile unit, Movilnet, is Venezuela's second-largest mobile firm with some 5.2 million subscribers at the end of last year.

**Featured Q&A***Continued from page 1*

**A Guest Comment: Steve Johnson:** "It's hard to tell whether these marches moved lawmakers one way or the other. Originally the debate was about better border security and an orderly process to allow willing foreign workers to find temporary employment—to come and go safely and not have to live on the edge of deportation. Now, the Senate has complicated the debate with a path to citizenship that may divide Congress even more. One thing is for sure: migrants and their supporters

“One thing is for sure: migrants and their supporters pulled off a public relations coup.”

– Steve Johnson

pulled off a public relations coup. Switching foreign flags for American ones, they came to identify with the United States. Their behavior was scrupulously peaceful. In press interviews, they revealed a personal dignity and work ethic that most American citizens admire. Moreover, many said they came here because social mobility was limited back home. In that, they hinted that the roots of the problem are on foreign soil, in societies where institutions are weak, commerce over-regulated, and opportunities reserved for the friends of whoever is in charge."

**A Board Comment: Andrés Rozental:** "A Day without Immigrants served a dual purpose: first to see whether organizers could once again get large turnouts for peaceful demonstrations

designed to show how deeply the immigrant community feels about legislative reform and put pressure on Congress to pass a comprehensive bill on the matter, and second to make everyone aware of the clout that foreigners—whether legal residents or undocumented workers—enjoy in the US economy. On both fronts, the May 1 mobilization was a success. Initial estimates put the numbers of marchers at over two million in dozens of cities across the country, while significant numbers of workers in the agricultural, construction, and services sectors stayed away from work, causing widespread disruption to daily life for many Americans. Although some speak of a backlash against the cause of legislative reform, my impression is that the message came through loud and clear: a majority of the United States wants the immigration mess fixed and strongly believes that the only way to do this is for a guest worker program that affords both employers and employees the opportunity to efficiently manage supply and demand, as well as for a legalization program that brings over 12 million people out of the shadows and into the mainstream of American life."

**Tom Tancredo** is a Republican Member of the US Congress from Colorado and is Chairman of the Congressional Immigration Reform Caucus.

**Kenneth Maxwell** is a Professor of History at Harvard University.

**Andrés Rozental** is a member of the Advisor board and President of the Mexican Council on Foreign Relations.

**Steve Johnson** is Latin America Policy Analyst at the Heritage Foundation.

**Latin America Advisor**

is published every business day by the Inter-American Dialogue, Copyright © 2006

**Erik Brand,**  
General Manager, Publishing

**Robert Simpson,**  
Editor

**Yesenia Rivas,**  
Office and Events Manager, and Circulation

**Danielle Jetton,**  
Computer Services Coordinator

**Inter-American Dialogue:**

**Peter Hakim,**  
President

**Michael Shifter,**  
Vice President, Policy

**Joan Caivano,**  
Director of Special Projects

**Dan Erikson,**  
Senior Associate, US Policy

**Claudio Loser,**  
Senior Fellow

**Judith Morrison,**  
Executive Director, Inter-Agency Consultation on Race in Latin America

**Manuel Orozco,**  
Executive Director, Remittances and Rural Development Project

**Marifeli Pérez-Stable,**  
Vice President for Democratic Governance

**Jeffrey M. Puryear,**  
Vice President, Social Policy

**Viron Vaky,**  
Senior Fellow

**Subscription Inquiries** are welcomed at [fretrial@thedialogue.org](mailto:fretrial@thedialogue.org)

**Latin America Advisor** is published every business day by the Inter-American Dialogue 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher nor do they represent any consensus of belief. The analysis is the sole view of each Advisor and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.