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Featured Q&A With Our Board of Advisors

Q The Organization of American States' General Assembly concluded its annual meeting in the Dominican Republic on Tuesday, with the diplomatic spat between Peru and Venezuela—and tensions between the US and Venezuela—largely overshadowing the proceedings. What were the most important things to come out of the three-day meeting? Has Venezuelan President Hugo Chavez "overplayed his hand" in the Hemisphere, as US Deputy Secretary of State Robert Zoellick contends?

A Guest Comment: Riordan Roett: "Hugo Chavez is clearly at a point of no return. Uribe and Garcia are anti-Chavez. Lula and Itamaraty are reviewing their relations with Venezuela after the Chavez venture into Bolivia. Increasingly, Chavez is a desperate voice in the wilderness. Vazquez in Uruguay and Bachelet in Chile want nothing to do with the Bolivarian revolution. Ecuador may sign on, but it is not clear what candidate will endorse Chavez—and Ecuador is of no importance in Latin America. Mexico is important, but AMLO is neither a Chavez nor a Morales. That leaves Kirchner in Argentina, whose only interest is getting re-elected in 2007. Playing the populist card is useful, but Argentina is an important state and the idea that it will sell out to Chavez makes no sense. The high water mark of Chavez may be approaching. The Bolivarian Revolution

may have Bolivia—and possibly Nicaragua—but that is hardly a revolutionary turning point in the history of the region. US policy should proceed with precaution. Neutralize the crazies who use Cuba and Venezuela to drive US policy and get real. There are important policy opportunities with the sensible regimes in the region to explore real options in terms of US-Latin American relations."

A Guest Comment: Terry McCoy: "Although Venezuela avoided formal condemnation by the OAS General Assembly meeting
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PHOTO OF THE DAY



Ollanta Humala vowed Wednesday to lead the opposition in Peru against the incoming government of President-elect Alan Garcia. See story on page 2.

Photo: Peruvian Nationalist Party file photo.

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NEWS BRIEFS

Trinidad & Tobago to Host Next Summit of the Americas

Trinidad and Tobago will host the next Summit of the Americas in 2009, *The Miami Herald* reported this morning. It will be the first time that the Summit—the fifth since the process was launched in 1994—will be held in a Caribbean nation. The decision was made on the sidelines of the annual Organization of American States General Assembly meeting in the Dominican Republic earlier this week, the *Herald* reported. "We are fully up to the task, we are not new to the inter-American system," Knowlson Gift, Trinidad's minister of foreign affairs, was quoted as saying.

Chilean Trade Surplus at All-Time High in May

Chile's trade surplus surged to a record-high \$2.34 billion in May, more than four times the surplus recorded for the same month a year ago and driven by soaring prices for copper, Chile's number-one export, the Central Bank said Wednesday. Exports rose 47 percent year-on-year to a record \$5.54 billion, the Bank said.

Venezuelan Congress Okays Sale of up to \$3.07 Billion in Debt

Venezuela's Congress on Wednesday approved the sale of up to \$3.07 billion in debt to pay existing debt, Reuters reported. In March, Venezuela launched a plan to reduce its total public debt by 15.2 percent. The plan includes a \$3.9 billion buyback of its Brady bonds and the early payment of \$700 million to multilateral lending agencies. Venezuela has carried out more than \$10 billion in debt swap, buyback and reorganizing operations of its domestic and external debt since 2002, according to Reuters.

Political News

Humala Vows to Lead Opposition Against Government of Alan Garcia

Ollanta Humala, the loser in Peru's presidential run-off on Sunday, vowed Wednesday to lead the opposition against the incoming government of President-elect Alan Garcia, the Associated Press reported. "We are going to constitute the principal opposition bloc," Humala was quoted as telling foreign reporters. "Look at the political map. We are the primary political force." Humala said Garcia's first presidency, from 1985 to 1990, was "one of the worst governments in the history of Peru," and said he had no confidence in the incoming leader. Garcia, whose first presidency was widely considered an economic disaster, was seen by many Peruvian

with President Nestor Kirchner over economic policy, said he has begun discussions with members of the opposition to head an alliance to challenge Kirchner in elections. "We have to reconstruct society around a serious program," Lavagna was



Lavagna

Photo: economy ministry file photo.

quoted as saying in a keynote speech to a real estate convention in Buenos Aires. "We need to rebuild the country's legal framework and its respect for laws and contracts. Without clear rules of the game, the economy will fall apart." Lavagna, who took over as economy minister in April 2002 amid a deep economic crisis, oversaw Argentina's debt restructuring following the biggest debt default in history in 2001, and his last three years in office were marked by an average of about 10

Humala said Garcia's first presidency, from 1985 to 1990, was "one of the worst governments in the history of Peru," and said he had no confidence in the incoming leader.

voters as the lesser of two evils, and benefited from fears that if elected Humala would radically reform economic policy and align Peru too closely with the government of Venezuelan President Hugo Chavez. Garcia's candidacy received a major boost in April when Chavez, who openly supported Humala, said that if Garcia was elected Venezuela would sever ties with Peru. Although Humala lost to Garcia on Sunday, his nationalist coalition will have the largest single bloc of seats, 45, in Peru's 120-member Congress, while Garcia's APRA party will have only 36.

Argentina's Lavagna Mulling Presidential Campaign

Former Argentine Economy Minister Roberto Lavagna, who oversaw Argentina's multibillion dollar debt restructuring, says he is considering running for president next year, Bloomberg News reported. Lavagna, who left the ministry in November amid disagreements

percent economic growth per year. On Monday, Lavagna criticized Kirchner's policies of setting limits on some consumer prices, his labor policy, and his alliance with Venezuelan President Hugo Chavez, according to Bloomberg News. The popular Kirchner is widely expected to run for re-election next year, although he has not yet made any formal announcement. [Editor's note: look for Q&A on Argentina's 2007 presidential election in next Monday's issue of the *Advisor*.]

Economic News

Ecuador Expects New Operator for Seized Oil Block in 45 Days

The Ecuadorean government expects to have a new operator in the field formerly run by the US' **Occidental Petroleum Corp.** within 45 days, Energy and Mines Minister Ivan Rodriguez said Wednesday, according to Reuters. "In the next 15 days

we will have completed the decree that separates the fields from (state-owned oil company) Petroecuador and we expect to have a new operator 30 days after that," Rodriguez was quoted as saying. Last month, the government revoked a contract with Occidental to operate the Block 15 field, which produces about one-fifth of Ecuador's 500,000 barrels per day of crude oil, accusing the US company of illegally transferring a stake in another oil block without government authorization. Occidental denies any wrongdoing and has filed a claim with an international arbitration panel, demanding compensation of \$1 billion for the seizure of its assets in the country, while the US government has responded by suspending free trade talks with Quito. Companies reportedly interested in operating the Block 15 field include several state-owned firms from Latin America, including Chile's **Enap**, Colombia's **Ecopetrol**, and Brazil's **Petrobras**, according to the AP. Chinese state-owned firms are also interested in the block, the AP reported.

Record FDI in Jamaica, but Challenges Remain to Help Poor

Jamaica is experiencing the "biggest inflow of foreign direct investment that we've ever seen," Gordon Shirley, the country's top diplomat to the United States, told an audience on Wednesday at the Inter-American Dialogue in Washington, DC. This investment, however, has not trickled down to the poor, Shirley said. Other participants in the meeting noted that Jamaica has not achieved strong economic growth relative to other English-speaking Caribbean nations and that FDI inflows have not translated into sustainable investment. Remittance flows, on the other hand, which are the highest on a per capita basis in the region, are more likely to be channeled into investment instead of consumption than in many other remittance-receiving countries, the ambassador said. Basil Wilson, a Jamaica analyst from the John Jay College of Criminal Justice, said the Caribbean country's investment climate depends critically on peaceful elections in the future. Portia Simpson Miller, elected in February as the country's first female prime minister, will need to

Energy

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address the weak economic situation with "stringent macroeconomic" policies, Shirley said. The policies are necessary because of the country's low growth rates, exceedingly high debt-to-GDP ratio, and vulnerabilities to external shocks from high oil prices, natural disasters, and price movements from non-oil commodities important to Jamaica, such as aluminum, sugar, and bananas, the diplomat explained. Jamaica is responding to Chinese demand for raw materials by planning to double its aluminum industry's capacity, the diplomat pointed out. Simpson Miller's election also marks a "demarginalization" of the poor in Jamaica, Wilson said, and integrating the poor and unemployed into the economy is one of the prime minister's challenges if she wants to lower the country's high crime rates, which Wilson said are "driven by hemispheric crime phenomena associated with drugs."

Company News

Telmex to Stick with Embratel Offer Despite Market Declines in Brazil

Telefonos de Mexico (Telmex), Mexico's

dominant fixed-line phone company, said Wednesday it would continue its cash tender offer for more stock in its Brazilian unit, **Embratel**, despite recent declines in Brazil's stock market, Reuters reported. Telmex, which owns 72.4 percent in Embratel, Brazil's biggest long-distance company, said it was permanently waiving a condition in its stock offer—announced last month—that would have allowed it to withdraw the offer under certain market conditions, despite a drop in Brazil's main stock index. "This waiver reaffirms Telmex's commitment to Embratel and to Brazil," Telmex was quoted as saying. On Wednesday, Brazil's Bovespa index fell 3.54 percent, the third straight day of declines, amid investor fears of interest rate hikes in the United States, which would make emerging markets less attractive, according to Reuters. Last month, Telmex said it planned to offer 6.95 reais (\$US 3.36) in cash per 1,000 shares in **Embratel Holdings**. The proposed offer is still under review by Brazilian authorities. Telmex did not say how many shares it wants to buy. Besides Brazil, Telmex also has subsidiaries in Argentina, Chile, Colombia, Peru, Uruguay and the United States. It is controlled by Mexican billionaire Carlos Slim.

Featured Q&A*Continued from page 1*

in Santo Domingo for meddling in the recent Peruvian election, the outcome of the election and the fact that the Assembly even considered Peru's request for condemnation constitute a setback for President Chavez's Bolivarian project. Not only did Alan Garcia defeat the candidate promoted by Chavez to extend his influence in the Andes, but Garcia

“The high water mark of Chavez may be approaching.”

— *Riordan Roett*

turned Chavez's meddling in Peruvian politics to his winning advantage. The OAS debate served to underline Venezuela's interventionist tendencies and make it more difficult for candidates on the left in upcoming elections to align with Chavez.”

A **Board Comment: Beatrice Rangel:** "A decade of democratic freedom has reshaped the political culture in Latin America. The most recent Latinobarometro survey sheds light in this regard. Asked whether they thought democracy would satisfy economic

wants, over 58 per cent of respondents answered that they did not think so. When asked what would resolve economic problems, again over 50 percent mentioned foreign investment and absence of inflation. This signaled an early stage of civic maturity, as respondents valued freedom and economic stability. President Chavez's heavy-handed style toward foes and his paternalistic attitude toward friends is beginning to unruffle some feathers in the Hemisphere. Add to this the fact that Brazil's national interest has been affected by the gas nationalization in Bolivia, whose government is close to the Chavez administration, and you can understand why there reportedly was so much uproar at the General Assembly.”

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