



# Inter-American Dialogue

## LATIN AMERICA ADVISOR

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

**Q** Peru's legislature last week approved a free trade agreement with the United States. Given the vote in Peru, what are the odds for passage of the trade agreement in the US and when—assuming it passes—can we expect it to be implemented? Where does the proposed US FTA with Colombia stand?

**A** **Guest Comment: Ed Gresser:** "Congress has never turned down a free trade agreement. Since the administration has majorities in both houses of Congress and can presumably rely on partisan loyalty, it would be surprising if the Peru or Colombia agreements were the first. But metaphorically speaking, the two Andean agreements have to traverse a rocky and narrow path to passage, with some sheer drops on each side. The FTA program generally doesn't seem to be getting more popular. The administration's early predictions that it would lead to a 'competition for liberalization' has not come true. Its still fragmented nature—in Latin America there are six separate and unconnected agreements—makes it hard to fit particular agreements into a general diplomatic or commercial strategy. And the breakdown of last year's Mar del Plata summit and this year's deadlock in WTO talks have raised questions about the administration's overall trade policy. All this means that the administration is approaching a difficult debate, in a political season, without a very strong

strategic argument. To avoid a divisive argument like last year's or an actual defeat, the administration will need an approach unlike the one it used for CAFTA last year. It will need to begin working closely with Democrats early on, in the House as well as the Senate. And it will need to present them convincingly as part of a larger strategy that has bipartisan appeal, and fits clear national commercial and diplomatic interests."

**A** **Guest Comment: Carlos Mateo Paz-Soldan:** "The outgoing Toledo administration and US business interests are pushing for  
*Continued on page 4*

### PHOTO OF THE DAY



Conservative Felipe Calderon has retaken the lead in a recount of votes from Mexico's presidential election on Sunday. See related story on page 2.

*File photo from candidate's Web site.*

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## NEWS BRIEFS

**Occidental to Take \$306M Charge as a Result of Ecuador Seizure**

US oil company **Occidental Petroleum Corp.** said Wednesday it would take a \$306 million after-tax charge for the second quarter of this year as a result of a government seizure of its assets in Ecuador two months ago. In a press release, Occidental said it has classified its operation of the Block 15 oil fields in Ecuador as "discontinued." The Ecuadorean government cancelled its contract with Occidental in May, accusing the company of illegally transferring another block to Canada's **EnCana**. Occidental has filed a \$1 billion claim against the government with an international arbitration court.

**Chilean Economic Activity Grew 6.1 Percent YoY in May**

Chile's economic activity index, or IMACEC, grew 6.1 percent in May compared to the same month a year earlier, the Central Bank said Wednesday. In a press release, the Bank said the IMACEC grew a seasonally adjusted 0.4 percent from the previous month. The Bank said growth in May was driven by expansions in the manufacturing and retail sectors, and by the fact that there was one more working day during the month than there was in May 2005.

**Peru's Garcia Denies Seeking Regional Alliance Against Chavez**

Peruvian President-elect Alan Garcia denied Wednesday he is seeking a regional strategic alliance against Venezuelan President Hugo Chavez, Reuters reported. "In no way am I planning an axis or group of countries to offset the interventionist influence of a country," Garcia said during a visit to Colombia to meet with Colombian President Alvaro Uribe.

## Political News

**Calderon Regains Lead in Mexican Presidential Vote Recount**

After falling behind Wednesday in a recount of votes from Sunday's presidential election in Mexico, conservative candidate Felipe Calderon has regained the lead, local daily *El Universal* reported this morning. With 99.02 percent of the recount completed as of 6:46 am local time this morning, Calderon had 35.75 percent of the votes versus 35.43 percent for his left-leaning rival, Andres Manuel

centage points. Both candidates insist that they won, and Lopez Obrador warned Wednesday that "the political stability of the country hangs in the balance," while his aides have warned he could unleash massive street protests if he is not declared the winner. However, according to a poll published Wednesday, a majority of Mexicans say they would not support such protests [see box, below.] On Wednesday afternoon, Calderon told the AP that he would offer his rival a cabinet post in his new government in order to bring unity. "I'm open to it, but I don't think he'll accept it," Calderon was quoted as saying.

“The political stability of the country hangs in the balance.”

- Andres Manuel Lopez Obrador

Lopez Obrador, who had led by as much as two percentage points during the earlier stages of the recount. The news of Lopez Obrador's initial lead in the recount prompted Mexico's see-sawing local stock and currency markets to fall yesterday, after posting gains on Monday and Tuesday amid indications of a victory by Calderon, who is considered more market-friendly than Lopez Obrador. Electoral officials began to retabulate votes on Wednesday after a preliminary count from Sunday's election showed that Lopez Obrador trailed Calderon by just 0.6 per-

## Company News

**Televisa to Sell its Stake in Univision**

Mexican broadcaster Grupo Televisa announced Wednesday that it will sell its 11.4 percent stake in Univision after a group of investors it led was outbid for the US Spanish-language broadcaster in June by a rival group. The move may free the Mexican broadcaster to expand into the US Hispanic market on its own. In a press release last week, Televisa said that it "will

**Poll: Majority of Mexicans Do Not Support Protest by Lopez Obrador**

Sixty percent of Mexicans would not support a protest of the country's presidential vote by left-leaning candidate Andres Manuel Lopez Obrador, **Zogby International** said Wednesday, citing a recent poll.

Just 30 percent of those surveyed said they would support a protest, according to the poll, sponsored by the University of Miami's School of Communications.

Asked if such a protest would be good for Mexican democracy, just 32 percent of survey respondents agreed, while 53 percent said it would be a bad for the country's political system.

Lopez Obrador insists that he won Sunday's presidential election, despite the initial results which showed him losing to conservative rival Felipe Calderon by about one percentage point. Aides to Lopez Obrador have warned he could call for massive street protests if he is not declared the winner.

vigorously pursue its options to build its potential in the growing US Hispanic marketplace." In a statement to the US Securities and Exchange Commission on Wednesday, Televisa said that it had informed the acquiring group of investors, **Umbrella Holdings LLC**, that it would not roll over its Univision shares as the takeover agreement allows. Last week Univision accepted Umbrella Holdings' bid of \$13.7 billion over the Televisa group's \$12 billion offer. In its SEC filing on Wednesday, Televisa reported that if its Univision holdings fall below 13,578,084 shares of class T common stock, it will be released from a 1996 participation agreement between it, Univision, and **Venevision**, under which the companies cannot enter into new ventures without first inviting the others to join, according to Bloomberg. Currently, Televisa provides 90 percent of Univision's programming, under a deal that expires in 2017. Univision's new buyer is led by media magnate Haim Saban, founder of **Saban Entertainment**, a global broadcasting, production, distribution, merchandising, and music company that was sold to the **Walt Disney Corporation** in 2001 for \$5.2 billion dollars. Other firms in the acquiring group are **Madison Dearborn Partners**, **Providence Equity Partners**, **Texas Pacific Group**, and **Thomas H. Lee Partners**, according to Reuters. [Editor's note: look for Q&A on the future of Univision and Televisa in tomorrow's issue of the *Advisor*.]

### Siemens Installs First Commercial WiMax Network in Latin America

German telecommunications equipment supplier **Siemens Communications** announced Wednesday that it installed Latin America's first commercial WiMax network. In a press release, Siemens said it installed the network for Colombian long-distance company **Orbitel** in the Andean country's third-largest city, Cali. Orbitel plans to roll out the wireless network to an additional 14 cities in Colombia over the coming months, Siemens said. The WiMax network will provide Orbitel's customers with broadband Internet access with data rates of up to two megabits per second, allowing such features as video streaming,

## Subscriber Notice

*A Discussion on*

### "The Mexican Election: Winners and Losers"

*with*

**George Grayson,**  
The College of William & Mary

**Andrew Selee,**  
Woodrow Wilson Center for International Scholars

**Pamela Starr,**  
The Eurasia Group

**Francisco Gonzalez,**  
The Paul H. Nitze School of Advanced International Studies

Tuesday, July 11, 2006

8:30 to 10:00 a.m.

Inter-American Dialogue  
1211 Connecticut Avenue, NW Suite 510  
Washington, D.C.

RSVP to [meetings@thedialogue.org](mailto:meetings@thedialogue.org)

Please include your name and affiliation.

Siemens said. "The Orbitel project opens up the Latin American market for our WiMAX technology. It is a major milestone in the regional rollout of our wireless technologies," said Christoph Caselitz, Siemens Communications' president of mobile networks. WiMAX, or worldwide interoperability for microwave access, allows companies to provide broadband service in rural or remote areas where it would be difficult or uneconomical to

install high-speed connections over conventional or fiber-optic cables. Last month, Siemens and Finland's **Nokia** announced the merger of their network equipment businesses, creating the world's third-largest network equipment concern, amid a global trend of consolidation in the telecommunications equipment industry [Editor's note: see related Q&A in the June 23 issue of the weekly *Latin America Telecom Advisor*].

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

approval of the US-Peru Trade Promotion Agreement (PTPA) before the August recess. There are a number of reasons for this desired timeframe, including: 1) the transfer of power from Toledo to President-elect Garcia takes

“... PTPA approval before August faces significant hurdles.”

- *Carlos Mateo Paz-Soldan*

place on July 28th (Peru's independence day); 2) the ATPDEA expires on December 31, 2006, and having the PTPA in place would protect existing duty benefits; and 3) the concern that congressional approval of the PTPA will be more challenging after the November congressional elections, particularly if Democrats pick up additional seats. Notwithstanding the above considerations, PTPA approval before August faces significant hurdles. In the three week period between July 10 and July 28, House approval of the Oman FTA is still pending, and it is possible that before the PTPA Congress will consider legislation granting Vietnam permanent most-favored nation status, which is viewed as more sellable among Democrats and which the executive would like to have prior to Bush's visit to Hanoi in November. This ambitious agenda may be too much for a highly-divided Congress—focused on the November elections—to chew on before August. As far as implementation is concerned, even under an optimistic scenario and assuming the delays experienced by CAFTA are avoided, it is improbable that the PTPA will be fully implemented until sometime in 2007.”

**A** **Guest Comment: John Murphy:** “Last week's overwhelming approval by Peru's Congress of the US-Peru trade agreement

underscores Peruvians' enthusiasm for a closer economic partnership with the United States. Seen from Lima, the imperative is to bring the agreement into force as soon as possible to avoid any disruption to bilateral commerce after the expiration in December of trade preferences the US has extended to Peru and three of its neighbors. In Washington, congressional hearings on the agreement are underway, and legislators are expressing strong support for its commercial possibilities and for helping President-elect Alan Garcia, who is standing up to the anti-American diatribes of Venezuela's Hugo Chavez. However, partisan conflict over how to address labor issues in trade agreements has been a drag on the agreement with Peru, despite the fact that trade has greatly improved the lives of Peruvian workers and farmers. If members of Congress would raise their eyes from their internal debate over labor issues—and consider the benefits for workers, farmers, and companies in both countries—swift passage would be assured. Though time is short, the US-Peru Trade Coalition is working to secure congressional approval of the agreement this July. If the legislative process lags, the business community may be pushing for a vote on the agreements with Peru and Colombia during a lame duck session after the November elections to minimize commercial disruptions relating to the end of Andean trade preferences.”

**Ed Gresser** is Director of the Trade and Global Markets Project at the Progressive Policy Institute.

**Carlos Mateo Paz-Soldan** is a Partner at Schmeltzer, Aptaker & Shepard.

**John Murphy** is Vice President of Western Hemisphere Affairs at the US Chamber of Commerce.

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