

Inter-American Dialogue

LATIN AMERICA ADVISOR

BOARD OF ADVISORS

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

Featured Q&A With Our Board of Advisors

Q Patrick Manning, the prime minister of Trinidad & Tobago, last week accused the United States of "studiously ignoring" the Caribbean, calling on the US to provide greater trade benefits and more support in the war on drugs. Is the US not paying enough attention to the Caribbean? If so, what are the current and future consequences? How can the US and the Caribbean get relations back on track?

A Guest Comment: Anthony Maingot: "As we listen this week to the torrent of anti-American pronouncements coming out of the Conference of the Non-Aligned in Havana, keep in mind the Caribbean person's natural skepticism when they say 'not all who are there are (anti-American), and not all who are (anti-American), are there.' The recent criticism of the US by the prime minister of Trinidad and Tobago (TT) is a case in point. Has the Bush administration been ignoring the Caribbean? Most demonstrably so. Is this, however, fatal? Does TT need the 'studied' attention of the US executive? Here are three reasons why the answer is probably no. First, the bulk of the vital relations between the two countries rests on the booming exchanges between TT state enterprises and powerful US private-sector interests. LNG, oil, steel, plastics, ammonia, tourism, you name it, things are going swimmingly. Second, the TT government has shown a powerful streak of independence *vis-a-vis* both the

US and Venezuela's Petrocaribe initiatives, which has everything to do with TT's energy and capital self-sufficiency and less to do with any US pressures. Finally, the TT government knows that Trinidadians and Tobagonians are intrinsically fond of Americans, even as these sentiments decidedly do not extend to the Bush administration. There is a distinction, thus, between needing American attention and wanting some demonstrations of reciprocal respect and consideration. Prime Minister Manning is asking for more of the latter."

A Guest Comment: Dan Erikson: "On most levels, US-Caribbean relations remain robust. American trade and tourism is
Continued on page 4

PHOTO OF THE DAY



Vice President Alvaro Garcia said Thursday that Bolivia would suspend a key part of the nationalization of its oil and gas sector amid strong protests by Brazil. See story on page 2.

Photo: ABI.

Inside This Issue

FEATURED Q&A: Is the United States Not Paying Enough Attention to the Caribbean?.....1	News Briefs: Colombia Poll; Q2 Growth in Argentina; Alcoa in Trinidad & Tobago.....2
Bolivia Suspends Nationalization Measure Amid Brazilian Threats.....2	Peruvian Congress Scraps Monthly Phone Charge.....3
Fox Will Not Hold Independence Day Ceremony in Mexico City's Zocalo.....2	Capitol Hill Watch: A Weekly Look at US Congressional Activity on Latin America.....3

NEWS BRIEFS

Uribe Still Popular, but Seen as Weaker on Corruption

President Alvaro Uribe remains popular in Colombia, although fewer Colombians approve of his stance on corruption, according to a **Gallup Colombia** poll published Thursday in *El Tiempo*. Uribe's approval rating stood at 72 percent, according to the survey, conducted August 26-September 7, down four points from a June poll, but still high. However, approval of his handling of corruption fell from 71 percent to 60 percent, the poll found.

Argentine Economy Slows in Second Quarter

Argentine economic growth slowed in the second quarter from the first, but still outpaced analysts' expectations, Reuters reported. Second-quarter GDP grew 7.9 percent year-on-year, compared to 8.6 percent growth in the first quarter. The growth was still slightly higher than the Central Bank's August forecast of 7.8 percent for the second quarter. Bloomberg News reported that the economy slowed amid decreased investment due to concerns over possible energy shortages.

Alcoa Will Go Ahead with Smelter in Trinidad Despite Protests

Despite protests from local farmers over environmental concerns, the world's largest aluminum producer, Alcoa Inc., will go ahead with plans to build a \$1.5 billion smelter in southwestern Trinidad, Reuters reported on Thursday. Alcoa has said that the smelter, okayed by environmental regulators in July, would begin producing in late 2008. Company spokesman Kevin Lowery said Alcoa was sensitive to local farmers' protests "because we plan on being there for 40 or 50 years."

Economic News**Bolivia Suspends Nationalization Measure Amid Brazilian Threats**

Bolivia on Thursday suspended a key part of its plans to nationalize its oil and gas resources after Brazil—one of the biggest investors in the sector—threatened a strong response to what it called Bolivia's "unilateral decision" according to news reports. Bolivian Vice President Alvaro Garcia announced the suspension of a government measure, issued Tuesday, that transfers control of refining and the sale of oil and gas derivatives in Bolivia from Brazil's state-owned **Petrobras** to Bolivia's national oil and gas company, **YPFB**. Garcia described the suspension as a goodwill gesture meant to "create a favorable climate of negotiations" with Brazil over Bolivia's nationalization of its

Agencia Estado. The standoff with Bolivia helped push Brazil's stock market down on Thursday. The **Sao Paulo Stock Exchange's** Bovespa index fell 1.08 percent to end at 36,153 points, while shares in Petrobras dropped 2.9 percent to 39.53 reais, according to Reuters.

Political News**Fox Will Not Hold Independence Day Ceremony in Mexico City's Zocalo**

Mexican President Vicente Fox will not hold tomorrow's annual Independence Day celebration in Mexico City's main square, the Zocalo, in order to avoid a confrontation with protesters led by Andres Manuel Lopez Obrador, the government announced Thursday, according to the Associated Press. Instead, the ceremony, known as *el grito*, or "shout," will take

Vice President Alvaro Garcia stressed that the Bolivian government would not back off its plans to assume complete control over the production of oil and gas and that it did not fear Brazil's taking the case to international arbitration.

hydrocarbon resources, first announced by President Evo Morales on May 1, but stressed that the Bolivian government would not back off its plans to assume complete control over the production of oil and gas and that it did not fear Brazil's taking the case to international arbitration, according to Bolivia's state news service, ABI. Garcia gave Brazil until October 9 to negotiate an agreement. Garcia's announcement came after Petrobras on Wednesday said the measure would make its refinery operations in Bolivia "completely infeasible" and threatened to take legal action either in Bolivia or through an international court. Reportedly irritated by what he called Bolivia's "unilateral decisions," Brazilian President Luiz Inacio Lula da Silva—who is aiming for re-election on October 1—said Thursday that the government "is going to have to think about something tougher," according to local news service

place in the town of Dolores Hidalgo, 170 miles northwest of Mexico City, where Roman Catholic priest Miguel Hidalgo launched the first call for independence from Spain in 1810. Secretary of the Interior Carlos Abascal made the announcement shortly after Mexico's Senate voted unanimously to recommend that Fox not hold the ceremony in the Zocalo. Lopez Obrador, who with thousands of supporters has been encamped in the square for weeks to protest what he calls the fraudulent outcome of Mexico's July 2 presidential election, which he narrowly lost to conservative Felipe Calderon, reacted with glee to Fox's announcement. "We are very happy because the traitor to democracy will not be here tomorrow," he was quoted as saying. Fox's spokesman, Ruben Aguilar, had said that Fox would hold the annual Independence Day ceremony in the Zocalo, despite the prospect of violent clashes between government

supporters and those of Lopez Obrador. It was the second time in weeks that Fox has been blocked from participating in an important official ceremony. On September 1, he was prevented from delivering his last annual state of the union address to Congress by members of Lopez Obrador's PRD party. The PRD has also said it will seek to block Calderon's December 1 inauguration.

Company News

Peruvian Congress Scraps Monthly Phone Charge

In a blow to the local unit of Spain's **Telefonica**, Peru's Congress on Thursday voted to eliminate a basic monthly connection charge for fixed-line telephone service, local daily *Peru21* reported. In an 80-11 vote, with 15 abstentions, lawmakers voted to scrap the unpopular monthly charge, which ranges from 39-100 soles (\$US 12-31), depending on a customer's rate plan. The elimination of the fee would mostly affect **Telefonica del Peru** (TdP), which has a virtual monopoly on fixed-line service in the Andean nation. Yonhy Lescano, president of Congress' Consumer Defense Committee and a longtime critic of TdP, hailed the bill, saying the company had "illegally" pocketed 500 million soles per year from the monthly charge. TdP issued a press release after the vote stating that it lamented the lack of "adequate debate" on the bill, which it said "will impact the development of telecommunications in the country." Officials in the government of President Alan Garcia, who must sign the bill, said they would review it, but but cast doubt on its becoming law. Prime Minister Jorge del Castillo said the monthly charge was enshrined in TdP's concession contract with the government, and noted that the contract has been upheld by the Constitutional Tribunal, Peru's highest court, according to *Peru21*. Because of its dominance of Peru's fixed-line market, TdP has been a frequent target of politicians, who say the rates and fees the company charges are too high in the country where, according to Reuters, half the population lives on just \$1 a day.

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

House Approves Construction of Fence Along Parts of US-Mexico Border

The House on Thursday approved a bill calling for construction of 700 miles of fence along the 2,000 mile-long US-Mexico border, Reuters reported. Supporters of the bill, which passed by a vote of 283-138, said the fence would help reduce illegal immigration, drug trafficking, and other crimes. "If we build it, they will no longer come illegally," said House Speaker Dennis Hastert (R-IL). Democratic opponents of the legislation, however, said the Republican-written bill was a ploy aimed at winning votes ahead of the November 7 mid-term elections. "This is to score political points that are going to be demagogued in 30-second ads," Rep. Steny Hoyer (D-MD) was quoted as saying. Some 1.2 million illegal immigrants were arrested in the last fiscal year trying to cross into the US from Mexico, according to Reuters. Congress is not expected to renew debate on comprehensive immigration reform until after the mid-term elections. A Senate bill proposes boosting border security while also putting some of the estimated 12 million illegal immigrants in the US on the path toward citizenship and creating a guest-worker program. House Republicans, however, reject "amnesty" for illegal immigrants and are calling on a purely pro-law enforcement approach.

Bolivian VP Meets with Lawmakers to Push for Extension of Trade Benefits

Bolivian Vice President Alvaro Garcia visited lawmakers in Washington, DC this week to push for an extension of trade benefits the South American nation receives under the Andean Trade Preference and Drug Eradication Act, Bolivian daily *La Razon* reported on Wednesday. In meetings with lawmakers and other US officials, Garcia presented Bolivia's proposal for a long-term trade agreement, called the "Fair Trade and Productive Cooperation Accord." In discussing the proposal this week, Bolivian President Evo Morales said that "the US has the obligation to recognize the difference between states, the so-called asymmetries from one country to another country," according to *La Razon*. Bolivia's foreign minister, David Choquehuanca, said that US Assistant Secretary of State for the Western Hemisphere Thomas Shannon told Garcia that many US lawmakers support the extension of ATPDEA, "a very important part of US policy against [trafficking of] narcotics," *La Razon* reported.

Subcommittee to Hold Hearing on European Anti-Drug Aid to Colombia

The House subcommittees on the Western Hemisphere and on Crime, Terrorism, and Homeland Security will hold a joint hearing next Thursday on "The Need for European Assistance to Colombia for the Fight against Illicit Drugs." Witnesses scheduled to testify include Michael Braun, chief of operations at the US Drug Enforcement Administration; Antonio Maria Costa, executive director of the United Nations Office of Drugs and Crime; and John Bruton, the head of delegation of the European Commission to the United States. The US and Colombia in the past have called on the European Union to play a greater role in the Andean nation. The EU, which according to its Web site has given Colombia some 270 million euros (\$US 344 million) in aid over the past five years, has focused its anti-drug assistance on demand reduction and alternative development, rather than eradication and interdiction. Europe has been the largest donor to Colombia's humanitarian, human rights and peace programs. Next Thursday's hearing will take place in Room 2141 of the Rayburn House Office Building in Washington, DC.

Featured Q&A*Continued from page 1*

essential to the region's economic welfare, diplomatic discussions take place regularly through the Organization of American States and other multilateral fora, and the US and the Caribbean share robust democratic traditions. In the particular case of Trinidad, the US is a major export market for the booming natural gas industry that has converted Trinidad into an emerging Caribbean powerhouse. Why, then, the noisy complaints from our Caribbean neighbors? The answer lies in three structural tensions, none of which will be easily resolved. The first is that minor changes in US policy are swamping the region with new problems; for example, the new requirement mandating a passport for travel to the Caribbean will cut into the tourist industry. The increasing flow of criminal deportees from the US to the Caribbean is seen, correctly or not, as fueling an epidemic of crime and violence. The phasing out of European preferences for sugar and bananas, which stems from a US-backed case brought by Central America before the WTO, will mean deep job losses. Second, new actors like China and Venezuela have prioritized the Caribbean as a strategic concern and are making new inroads into what has traditionally been the US sphere of influence. As a result, the US is losing ground to other diplomatic competitors. Last, the Caribbean is having a severe allergic reaction to US unilateralism both in the Hemisphere and around the world, on topics as diverse as the Iraq War, global warming, the International Criminal Court—not to mention the 2004 ouster of Aristide from Haiti, the ever-tightening US embargo of Cuba, and US efforts to politically isolate Hugo Chavez, even as America remains the top customer for Venezuelan oil. For years it has been said that 'when the US sneezes, the Caribbean catches a cold.' Today, there is a movement afoot in the Caribbean to distance itself from the US in its search for better political and economic health."

A **Guest Comment: Anthony Bryan:** "In his remarks, Prime Minister Manning indicated that in the first four months of 2006 Trinidad and Tobago supplied 73 per cent of all US imports of LNG, 71 per cent of all US imports of methanol, and about 55 percent of all US imports of ammonia. Trinidad and Tobago is a strong ally of the US and a haven for US investment in the energy field. The prime minister's concern is that the US administration has not been treating its allies in the Caribbean as important partners and has been unresponsive to specific regional requests in the areas of trade and the battle against drug-trafficking. He joins other leaders in the Americas who have voiced similar sentiments. While the relationship between the US and its allies in the Caribbean is not about to be surrendered in any way, the US slumber in the region provides an opportunity for other state and non-state actors to fill the vacuum. In a hostile global environment, the US needs all the friends it can get, and the cost of nurturing that friendship in the Caribbean through increased, high-level official dialogue is relatively inexpensive. Isn't this supposed to be the 'Third Border' of the United States?"

Anthony Maingot is a Visiting Distinguished Professor of Cuban and Caribbean Studies at Florida International University.

Dan Erikson is Senior Associate for US Policy and Director of Caribbean Programs at the Inter-American Dialogue.

Anthony Bryan is a Professor Emeritus at the University of Miami and a Senior Associate in the Americas Program at the Center for Strategic & International Studies.

Latin America Advisor

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

Erik Brand,
General Manager, Publishing

Robert Simpson,
Editor

Elisabeth Burgess,
Reporter

Danielle Jetton,
Computer Services Coordinator

Inter-American Dialogue:

Peter Hakim,
President

Michael Shifter,
Vice President, Policy

Joan Caivano,
Director, 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, Democratic Governance

Jeffrey M. Puryear,
Vice President, Social Policy

Viron Vaky,
Senior Fellow

Subscription Inquiries are welcomed at 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.