



Inter-American Dialogue

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Featured Q&A With Our Board of Advisors

Q Rafael Correa appears to have won Ecuador's presidential election on Sunday, according to preliminary results. What does Correa's victory mean for Ecuador? What does it mean for US-Ecuador relations? How will Correa manage the rough waters of Ecuadorean politics?

A **Guest Comment: Andres Mejia Acosta:** "Rafael Correa's victory closes a chapter of traditional party dominance in Ecuador, but begins an open-ended period of further political instability. Correa's decision to run a party-less political campaign to signal his rejection of traditional parties has left him orphan of any political support that he could call his own in Congress. Correa now faces a classic 'outsider's dilemma.' His political amateurism and the strategy of confrontational politics that launched him to the presidency would deter congressional parties from supporting his plans for calling a constitutional assembly. Conversely, cementing political alliances with parties through the use of abundant oil resources is likely to erode his political capital and anger voters who hoped for radical changes. International oil prices and military support reappear as critical factors for government stability. Given his weak political stance at home, Correa is likely to cultivate a leftist rhetoric aligned with Venezuela's Bolivarian Revolution and opposing greater involvement with Plan Colombia, while maintain-

ing an economic pragmatism on trade issues with the US."

A **Guest Comment: Roberto Baquerizo:** "Mr. Correa's victory represents a clear break with traditional politics in Ecuador and a jump into a more democratic and modern administration. But as with any jump, it is difficult to predict today how successful the new administration will be. The new government will be surrounded by obstacles and immersed in political conflict. Correa has no power in Congress and has confirmed his intention to call for a national referendum to proceed with a constitutional assembly that would reorganize the

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PHOTO OF THE DAY



US Director of National Intelligence John Negroponte on Monday appointed economist and political analyst Norman Bailey as mission manager for Cuba and Venezuela. See story on page 3.

US govt. file photo.

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NEWS BRIEFS

USTR Rejects Formal Meetings to Jumpstart Global Trade Talks

The US Trade Representative's office said Monday that it does not want to revive the stalled Doha round of global trade talks through a ministerial level meeting proposed by European Union Trade Commissioner Peter Mandelson, Reuters reported. USTR spokeswoman Gretchen Hamel said US negotiators believe that informal meetings among key World Trade Organization member states, which have been held since the collapse of the Doha round this summer, will be more effective.

Kimberly-Clark Buys Remaining Stake in Brazilian Affiliate

Dallas, TX-based **Kimberly-Clark Corporation** announced Monday it had increased its ownership of its Brazilian affiliate, **Kimberly-Clark Kenko Industria e Comercio Ltda.** (Kenko), from 70 percent to 100 percent. In a press release, Kimberly-Clark, which manufactures personal care products such as paper towels and diapers, said it acquired the remaining minority interest in Kenko from **Alsercom Comercio De Produtos Texteis e Plasticos Ltda.** Terms of the purchase were not disclosed.

Mexico's Alfa Buys Norsk Hydro's European Auto Parts Business

Mexican conglomerate **Alfa** on Monday bought the European auto parts casting business of Norwegian energy and aluminum group **Norsk Hydro** for 416 million euros (\$US 546.3 million), Reuters reported. Alfa's auto parts subsidiary, **Nemak**, said the purchase of Norsk Hydro's operations in Germany, Austria, Hungary, and Sweden was part of a planned expansion into strategic countries, according to Reuters.

Political News

US Says Prepared to Work with Next Ecuadorean Government

A US State Department spokesman said Monday the US was prepared to work with the next Ecuadorean government, which is expected to be led by Rafael Correa, a fierce critic of President George W. Bush, following the Andean nations' presidential election on Sunday. "In terms of the next Ecuadorean government, we will—we're ready to work with them," Sean McCormack told reporters during a daily briefing. "The course of US-Ecuadorean relations ... will be dependent on the policies that those—that the government pursues and how that—whether or not those policies are consonant with our goals." McCormack cited the example of Bolivia, saying that the US has been able to work with that country despite the election of left-leaning coca farmer Evo Morales as president in December 2005.

Correa is not expected to embrace relations with the United States.

Correa, who has called Bush "dimwitted" and said comparisons of Bush to the devil are an insult to the devil, is not expected to embrace relations with the US. He has ruled out negotiating a free trade agreement with Washington and has vowed not to renew a contract that lets the US use Ecuador's Manta airport as a regional base for counternarcotics operations. The contract expires in 2009. In addition, Correa calls himself a personal friend of Venezuelan President Hugo Chavez, who frequently levels rhetorical attacks against the US "empire." Correa has also spooked Wall Street with talk of renegotiating Ecuador's foreign debt, saying that he wants to limit debt payments to 2-3 percent of GDP, and he has not ruled out a moratorium on debt payments. However, the US-trained economist says he will maintain dollarization and that he has no plans to nationalize Ecuador's energy sector. The Andean nation, which produces

more than 500,000 barrels of crude per day, depends on oil for a significant portion of government revenues. With 58 percent of the votes from Sunday's election counted as of late Monday, Correa had 65 percent of the ballots versus 35 percent for banana magnate Alvaro Noboa, according to *The Miami Herald*. Ecuador's Supreme Electoral Tribunal could certify Correa's expected victory as early as today. [Editor's note: see related Q&A on page 1.]

Economic News

Bolivia Sees Possible Gas Deal with Brazil Within Two Weeks

Bolivia may reach an agreement with Brazil on an increase in the price of natural gas exports to Brazil in as early as two weeks, Bloomberg News reported Monday, citing Bolivian Energy Minister Carlos Villegas. Bolivian authorities will meet with officials from Brazil's state oil company **Petrobras** in early December

after failing to reach a deal during talks in Santa Cruz, Bolivia last week, Villegas said. Villegas' comments came a day after Bolivian President Evo Morales called on Brazilian President Luiz Inacio Lula da Silva to reach a deal on natural gas prices similar to an agreement recently signed with Argentina. Last month, Bolivia signed a 20-year gas supply agreement with Argentina that is expected to result in \$17 billion in revenues for Bolivia, which has the second-largest natural gas reserves in South America after Venezuela. Morales said Argentine President Nestor Kirchner had "extended his hand" to Bolivia through the agreement. "We want to see the same action from President Lula," he said. Brazil is the biggest consumer of Bolivian natural gas, buying an average of 27.7 million cubic meters of gas per day, versus 7.7 million cubic meters bought by Argentina. Bolivia supplies more than half of all Brazil's natural gas needs.

Company News

Walmex Says New Banking Unit Will Not Likely Turn Profit Until 2011

The Mexican unit of US-based retail giant **Wal-Mart Stores Inc.** on Monday revealed more details of its plan to open banking services at its retail outlets, saying the new bank will probably not turn a profit until 2011, Reuters reported. "The bank will start turning positive results in the mid-term ... not before the fourth year of operation," **Wal-Mart de Mexico** (Walmex) CEO Eduardo Solorzano was quoted as saying in a recorded broadcast on Monday. The new bank, to be called **Banco Wal-Mart de Mexico Adelante**, will start operations in the second half of 2007 and will report its own financial results in addition to being included in Walmex's consolidated statements, the company said in a press release last week. Last week, Mexico's finance ministry granted authorization to the US-based retailer to start offering financial services in its Mexican stores. An official at the International Monetary Fund on Monday praised the finance ministry's move. "I was heartened the other day to see that Wal-Mart has now been allowed to offer loans," Raghuram Rajan, chief economist at the IMF, was quoted as saying by Reuters at an event in Mexico City. Rajan said Walmex will provide more competition in the country's banking sector, making banking services more accessible to oft-neglected low-income customers. Despite this enthusiasm, Rajan did concede that the financial services sector will need heightened scrutiny by bank supervisors. "In the process of allowing more competition you also have to have the supervisory sector have a handle on how things are growing, which means more efforts there," he said. Adelante, which will offer savings products and small loans targeted to mostly low-income customers, is the US retailer's first foray into banking, but it is not necessarily part of the retail giant's global strategy. Wal-Mart spokeswoman Amy Wyatt was quoted as telling *The New York Times* last week that Walmex's move was "really driven by the local market." Walmart has not obtained permission to

Comings & Goings

Norman Bailey Appointed as Mission Manager for Cuba, Venezuela

US Director of National Intelligence John Negroponte on Monday appointed economist and political analyst **Norman Bailey** as mission manager for Cuba and Venezuela. As one of six mission managers working for Negroponte, Bailey will "lead the intelligence community at a strategic level by integrating collection and analysis, identifying and filling gaps in intelligence, and planning and ensuring the implementation of strategies, among other duties," the Office of the Director of National Intelligence (DNI) said in a press release. Bailey, formerly a senior fellow at the Potomac Foundation and an adjunct professor at the Institute of World Politics, will not directly manage operations or analysis. The DNI announced the creation of a mission manager position for Cuba and Venezuela in August, in what analysts said reflected Washington's recognition of the need for better intelligence on the two countries [Editor's note: see related Q&A in the August 22, 2006 issue of the *Advisor*]. Cuba's communist government is the target of a more than 40-year-old economic embargo, while the US has accused the government of Venezuelan President Hugo Chavez of seeking to sow instability in Latin America. The other five mission managers were created for counterterrorism, counterproliferation, counterintelligence, Iran, and North Korea.



US gov't. file photo.

Argentine Economy Minister Felisa Miceli has named lawyer **Sergio Chodos** to be secretary of finance, according to Reuters. Effective December 1, Chodos, who worked as a negotiator on Argentina's \$100 billion debt restructuring, will replace Alfredo Mac Laughlin, who recently stepped down because of health reasons. Chodos is expected to lead the Argentine government's talks with Paris Club official creditors on restructuring Argentina's \$6.3 billion in outstanding debt.

Wal-Mart de Mexico has announced that its new banking venture, **Banco Wal-Mart de Mexico Adelante** [see story, adjacent], will be headed by **Julio Bosco Gomez Martinez**. Gomez Martinez led **Bank One** in Mexico and has 25 years of banking experience in the US, Europe, and Latin America.

open banking operations in the US, and faces strong opposition from labor groups and community banks that do not want to see the retail giant expand into financial services.

International Paper to Sell Brazilian Wood Chip Unit

International Paper announced Monday that its Brazilian subsidiary had signed a memorandum of understanding to sell its wood chip production and exporting unit to Japan's **Marubeni Corp.** and **Nippon Papers Industries Co. Ltd.** In a press release, International Paper said the sale of the unit, **Amcel**, which also owns 165,600

acres of pine and eucalyptus forest in the state of Amapa, was in line with the Memphis, TN-based company's one-year-old transformation plan to focus on its global uncoated paper and packaging business, and on its North American distribution segment. The amount for the sale of Amcel to the Japanese firms was not disclosed. International Paper said the 30-year-old Amcel, which it acquired six years ago, produces one million metric tons of eucalyptus and pine chips per year, which is exported to the US, Europe, and Japan for the manufacturing of pulp and wood products. Amcel, which also produces and exports biomass, employs some 1,000 people.

Featured Q&A*Continued from page 1*

political system. Notwithstanding Mr. Correa's triumph on Sunday, his victory also needs to be perceived not so much as an approval of all his policies, but as a rejection of the alternative candidate and the traditional political parties. The level

“Since Mr. Correa's policies are at odds with many stated US policies ... relations are fraught with peril.”

- Roberto Baquerizo

of undecided voters remained close to 20 percent until election day, and the amount of absenteeism, null, and blank votes may be around 30 percent. Since Mr. Correa's policies are at odds with many stated US policies, such as in the oil sector and the military base in Manta, relations are fraught with peril. However, tactful diplomacy by the US with a fragile government may prove beneficial to long-term interests and good relations between the US and Ecuador.”

A Guest Comment: Gustavo Larrea: "The victory of Rafael Correa is a victory for all citizens distressed by the country's

situation, a triumph for citizens against a magnate who tried to buy the presidency, for citizens who are looking for a change in direction. We shall seek to increase trade relations; we will strengthen the fight against drug trafficking and for peace in the Andean region. [We will drive] consensus with all the social and political forces, working together to reactivate production and job creation so that citizens have health and education. Working together so that more of our countrymen do not have to emigrate, working together to overcome poverty and the exclusion of 80 percent of Ecuadoreans. Working together so the country is stable, working together in synch to emerge from the political, economic, and social crisis in which we are living.”

Andres Mejia Acosta is a Governance Research Fellow in the Institute of Development Studies at the University of Sussex.

Roberto Baquerizo is Managing Director for Latin America at Pro Ventures.

Gustavo Larrea is Campaign Coordinator for Rafael Correa's Alianza PAIS.

Latin America Advisor

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

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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

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