

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 Muñoz
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 | Carlos Paz-Soldan
Partner,
Saul Ewing, LLP |
| Jane Eddy
Managing Director,
Corporate & Govt.
Ratings Group,
Standard & Poor's | 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
Chairman of the
Board of Trustees,
Mexican Council on
Foreign Relations |
| George W. Grayson
Professor of Govt.,
The College of
William & Mary | Everett Santos
President,
DALEC LLC |
| | Roger Scher
Head of Latin
American
Sovereign Ratings,
Fitch Ratings |

Featured Q&A With Our Board of Advisors

Q Some analysts of immigration reform note that addressing the US border with Mexico isn't enough to solve the problem of illegal migration and that the US should be focusing more on helping address the borders of Belize, Guatemala, and Mexico, where people trafficking, drugs, and other illicit activities are reportedly getting out of control. What can the US do to help those countries patrol and enforce their borders? Would greater security along the US-Mexico border contribute to improved border security further south?

A Guest Comment: **Jon French:** "Most definitely illegal migration is not just by Mexicans. In fact, US Border Patrol utilizes the term OTM (other than Mexican) to categorize their non-Mexican apprehensions along the US-Mexican border. And the endemic illicit drug flow to the US in many cases involves drugs produced elsewhere in Latin America. There has been some US-Mexican collaboration in this regard, as a few years ago a ship full of third-country nationals was detained off the Pacific coast of the state of Oaxaca in a joint operation between the Mexican Navy and the US Coast Guard. To stem this flow begs the question of why there has not been greater emphasis by the US government on the NAFTA perimeter security concept. After all, the comparatively much narrower land bridge of the Mexico, Belize, and Guatemala borders should be easier to con-

trol versus the much longer US-Mexican border. And since the illicit migration and drugs are all destined for the US market, it is fundamentally a US problem, and thus incumbent on the US government to help these countries better secure their own borders. There has recently been some collaboration between the three countries, but clearly substantially more financial resources, technical assistance, manpower, and professional training are required, all of which would have to be financed by the US."

A Board Comment: **Andrés Rozental:** "There is little that the US can do at the southern border of Mexico, but much that could be improved to advance the comprehensive
Continued on page 3

PHOTO OF THE DAY



Venezuelan President Hugo Chavez said Thursday the US' ambassador in Caracas, William Brownfield (above), should quit meddling in the country. See story on page 2.

Photo: US Embassy.

Inside This Issue

FEATURED Q&A: What Can the US Do to Help Some Countries Enforce Their Borders?1	News Briefs: Brazil's Soc. Sec. Deficit; Ecuador Helicopter Crash Probe; Mexico's Soriana2
Chavez Threatens to Expel US Ambassador to Venezuela.....2	Mexico's Banorte Reports 24 Percent Growth in Fourth-Quarter Profit.....3
Telefonica CTC Chile Posts 9.2 Percent Drop in Annual Profit.....2	Workers at Colombia's Cerrejon Coal Mine Vote to Go on Strike.....3

NEWS BRIEFS

Brazilian Social Security System Deficit Widened in 2006

Brazil's social security system deficit widened 12 percent to 42.07 billion reais (\$US 19.77 billion) in 2006 amid higher payments to beneficiaries, Social Security Minister Nelson Machado said Thursday, according to Reuters. Machado said he expects the deficit to continue to increase this year, to about 47 billion reais. Analysts and economists say the government needs to reform its social security system to lower costs and remove a key barrier to economic growth.

Correa Orders Probe Into Fatal Helicopter Collision in Ecuador

Ecuadorian President Rafael Correa said Thursday he ordered an investigation into a helicopter collision that killed Defense Minister Guadalupe Larriva, her 17-year-old daughter, and five members of the military on Wednesday, the Associated Press reported. "It appears to have been an unfortunate accident but so that there is no doubt" the government has formed a special commission to oversee the investigation, Correa said.

Mexico's Soriana to Invest \$700 Million in Store Expansion

Mexican retailer **Soriana** on Thursday announced plans to invest \$700 million to build 60 new stores over the next 18 months, creating 9,000 new jobs, Reuters reported. Soriana said it plans to increase its presence throughout the country, concentrating in particular on placing stores in small towns, according to Reuters. Soriana is one of Mexico's biggest retail store chains, but has faced increasing competitive pressure from **Wal-Mart de Mexico**, the country's biggest retailer.

Political News

Chavez Threatens to Expel US Ambassador to Venezuela

Venezuelan President Hugo Chavez on Thursday threatened to expel the US ambassador to the South American nation after the diplomat said the government should treat investors affected by the planned nationalization of local telecommunications company **CANTV** fairly, the Associated Press reported. US Ambassador William Brownfield earlier in the day told local radio the nationalization of CANTV, Venezuela's biggest telecom company, should proceed "in a transparent, legal manner" and that Venezuela's government must offer "fair and quick compensation to the people who are affected or the owners." Brownfield said it

“If you [Brownfield] continue meddling in Venezuela's affairs, first of all, you are violating the Geneva agreements and getting yourself involved in a serious violation and could ... be declared a *persona non grata* and would have to leave the country.”

- Hugo Chavez

was his hope that the nationalization "concludes in a satisfactory manner for all those involved." Chavez responded by warning the US envoy not to meddle. "If you continue meddling in Venezuela's affairs, first of all, you are violating the Geneva agreements and getting yourself involved in a serious violation and could ... be declared a *persona non grata* and would have to leave the country," Chavez was quoted as saying. Earlier this month, the Venezuelan leader announced plans to nationalize CANTV, in which the US' **Verizon Communications** has a 28.5 percent stake, as part of a broader effort to establish greater control over the South American country's economy and push it further along the path toward socialism.



Brownfield
Photo: US Embassy.

He also said his government would nationalize **Electricidad de Caracas**, the country's biggest electricity distributor, which is controlled by US power company **AES**. The nationalization plans have not helped to improve relations between Caracas and Washington, which accuses the Chavez government of being a destabilizing influence in the region, while Chavez charges the US is seeking to overthrow him.

Company News

Telefonica CTC Chile Posts 9.2 Percent Drop in Annual Profit

Telefonica CTC Chile on Thursday reported a 9.2 percent decline in profit in 2006 from the previous year, Reuters reported. CTC, a unit of Spain's

Telefonica, said net income totaled 23.353 billion pesos (\$US 44 million) last year, compared to 25.712 billion in 2005. The company posted revenues for the year of 577.203 billion pesos, down 2.6 percent from the previous year. CTC reported a fourth-quarter profit of 3.6 billion pesos, up 10.2 percent from the same quarter a year earlier, despite a 2.8 percent year-on-year decline in revenues. The company expects revenue growth to be close to flat this year. "We believe we will reach [growth of] between zero and 2 percent in revenue in 2007, driven by broadband and pay television," Chief Financial Officer Julio Covarrubias was quoted as telling reporters. CTC, which is Chile's biggest fixed-line operator, faces increased competition following the government's awarding of fixed-wireless concessions earlier this month to **Telefonos de Mexico** (Telmex) and **VTR**, a company

owned by the US' **Liberty Media**. CTC had fought to block the concessions. Telmex announced January 17 it would start building a nationwide broadband fixed-wireless network in Chile, and expects the network to cover 98 percent of the population by the end of this year [Editor's note: see related Q&A in the January 22, 2007 issue of the weekly *Latin America Telecom Advisor*.]

Mexico's Banorte Reports 24 Percent Growth in Fourth-Quarter Profit

Banorte, Mexico's fifth largest bank, on Thursday posted a 1,503 billion-peso (\$US 139 million) fourth-quarter profit, up 24 percent from the same period a year earlier, amid increased lending to consumers and businesses, Reuters reported. Reduced net interest margins were offset by loan growth, as Banorte's credit portfolio expanded 20 percent year-on-year in the fourth quarter. Loans to consumers through credit cards, personal loans and mortgages were particularly strong. Chief Executive Luis Pena said he expected lending to increase between 23 percent and 25 percent this year. "We're seeing favorable conditions in terms of Mexico's economy," he was quoted as saying. Banorte is the only large bank still in the hands of Mexican investors.

Economic News

Workers at Colombia's Cerrejon Coal Mine Vote to Go on Strike

Unionized workers at Colombia's Cerrejon coal mine, run by a consortium including **BHP Billiton** and **Anglo-American**, on Thursday voted to go on strike, Reuters reported. "The assembly ratified the decision to go on strike at any time during the weekend," Jaime de Luque, president of the coal workers' union, was quoted as saying. The mine, Colombia's biggest producer of coal, employs some 31,000 unionized workers, who have been in talks with the mine's management over better salaries, and health and housing benefits. The union says it is open to continuing talks, according to Reuters.

Featured Q&A

Continued from page 1

immigration reform that President Bush and a majority of the American people have proposed. Continuing to look at immigration flows, whether from Central America to the US through Mexico, or directly from Mexico to the US, as a border enforcement issue alone will never contribute to solving anything. When the opponents to immigration reform in the US Congress and elsewhere are overruled with the approval of a guest worker program to satisfy labor demand in the domestic economy, and a program is implemented to regularize the millions of undocumented immigrants already in the US, it will be a much easier proposition to face the problems at the southern border of Mexico. As long as economic and social forces drive the immigration phenomenon, no amount of policing, walls, or security initiatives will deter people from responding to the employment demand in the US. Also, as long as there are no legal, orderly, and expeditious mechanisms in place to allow immigrant labor to travel to the US and take the jobs being offered them, the illegal gangs of smugglers and criminal organizations that thrive on the business of moving people across borders—north or south—will flourish and continue to feed the violence and other illicit activities that today characterize those areas."

A Board Comment: James R. Jones: "Protecting US internal security must start with securing our own economy and enforcing our laws. That means we should pass a comprehensive immigration reform bill that permits a needed temporary guest-worker program to meet the economic needs of the US and provide a meaningful way for immigrant workers to work their way toward citizenship if they desire. Our economy needs the workers and our security requires more transparency about where they are. Finally, the most effective enforcement mechanism is to hold

employers accountable. This has rarely been done since the 1986 immigration legislation provided for it. But if employers were not offering jobs, illegal immigration would dry up very quickly. In addition to a responsible immigration bill, the US needs to establish its security perimeter to the northern border of Canada and the southern border of Guatemala or beyond. To accomplish this, we must abandon any arrogance and truly develop a partnership approach. Mexico and Guatemala now realize that trafficking in humans and drugs in their territories creates major domestic crime and human rights abuses with their own populations. If the US government approaches these countries correctly, we can make North America a much more secure area."

A Guest Comment: Francisco Villagrán de León: "It is true that Mexico's southern border with Guatemala is under extreme stress, but it is up to those two countries to patrol and manage their own border. The US has no role in policing immigration beyond its own territory, and any action in this area would be unwelcome. In my view, illegal immigration requires not just punitive action or police enforcement but a comprehensive approach that recognizes peoples' legitimate aspirations for a better life. This comprehensive approach must include efforts to improve living conditions and increase economic opportunities in Central and South America through development cooperation as well as better trade opportunities. It should not include draconian measures aimed at returning large numbers of undocumented workers already in the US. This only contributes to unemployment in the immigrants' countries of origin and disrupts the flow of remittances, which have become a major contributor to growth and development in many of these countries, in effect enabling more of their citizens to 'stay home.'"

Continued on page 4

Featured Q&A*Continued from page 3*

A Guest Comment: Donald Planty: "Enhanced US-Mexico border security alone will not solve the problems of illegal immigration and international crime. What is needed is a Central America-wide approach to these issues. The Central American corridor is a funnel for criminal activity of all kinds directed toward and at the United States. Drug smuggling is the principal activity, with people smuggling not far behind. These international crime gangs are well organized, coordinated, and operate with sophisticated communications equipment. The United States needs to work more robustly with the governments of Central America to address this threat. A good beginning would be for the US to provide tangible support for Central American cooperation on illegal immigration and crime, particularly among Honduras, Guatemala, and El Salvador. Criminal organizations operate freely among these three nations, often with little challenge from the authorities. A modest investment by the US in police training, equipment and real-time intelligence would go a long way toward addressing these problems and would help solve the US-Mexico border crunch. Central America's political leaders are eager for US assistance. To date, however, the US has been unable or unwilling to make the investment in the sub-region to help correct this situation. Until the US develops and implements a more effective security policy in Central America, the situation will continue to deteriorate with predictable negative consequences along the US-Mexican border and inside the continental United States."

A Guest Comment: Manuel Angel Castillo: "On the first [question], I believe the issue is that countries have sovereign rights. They must carry out their functions—in this case protecting their borders—with their own resources, under their own regulations, and using their own means. Therefore, cooperation can be established with other countries; it

would have to within that framework of sovereign rights. Eventually, certain types of resources—technical, human, economic—would have to fall within this framework of principles. The Mexican state has been very cautious, in general terms, that there not be any elements that would put this sovereignty at risk. And I think this is what we must bear in mind. Regarding the second [question], it's difficult to establish a relationship between what could occur on the US-Mexico border and how it affects the southern border. We must see it as a more global issue. I think it's not just a border issue, but an immigration issue, in the broad sense. I have maintained that immigration from the south to the north is no longer just immigration from Mexico to the US, but is immigration from southern countries to the US, which has turned the migratory phenomenon into a regional phenomenon. So, from my point of view, what is missing is a focus of a regional nature on immigration."

Jon French is Director General of *Problem Solvers S.A. de C.V. in Mexico City.*

Andrés Rozental is a member of the Advisor board and Chairman of the Board of Trustees at the Mexican Council on Foreign Relations.

James R. Jones is a member of the Advisor board and Co-chair of Manatt Jones Global Strategies LLC and a former US Ambassador to Mexico.

Francisco Villagrán de León is Guatemala's Permanent Representative to the Organization of American States.

Donald Planty is President of Planty & Associates, LLC, and a former US Ambassador to Guatemala.

Manuel Angel Castillo is a Research Professor at the Colegio de Mexico's Center for Demographic and Urban Development Studies.

Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2007

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

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. 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.