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Featured Q&A With Our Board of Advisors

Q Bolivia's presidential and congressional elections scheduled for December 4 are up in the air after the country's Constitutional Tribunal last week ordered Congress to redistribute seats in the legislature in accordance with the most recent national census. Will the elections take place as planned? Is Bolivia any nearer to resolving its long-standing political and social conflicts?

A **Guest Comment: Manuel Rocha:** "I hope this matter gets resolved before December 4. If not, one can expect to see further disturbances prior to the planned date for the elections. Bolivia is not anywhere closer to resolving its perennial conflicts. They have been around since Bolivia's inception and will continue to be part of the Bolivian political landscape. Sadly, chronic instability seems to be the norm and not the exception. No matter who wins in the next presidential election, social peace is not what will follow. We will probably see a continuation of the political instability that has plagued the country for the past decades. The structural and deep fissures in Bolivian society cannot be resolved with an electoral outcome, independent of who emerges victorious. It will require many years under a leadership that enjoys the consensus of the majority of Bolivians, something that is lacking in today's Bolivia."

A **Guest Comment: Eduardo Gamarra:** "The current turmoil created by the Constitutional Tribunal requiring a reapportionment of congressional seats as mandated by the Constitution is unlikely to end without a major battle involving regional actors, political parties in Congress, the leading presidential candidates, organized labor, and others. In addition, the Tribunal will also have to rule on the constitutionality of the electoral process since a few members of Congress who stand to lose

Continued on page 4

PHOTO OF THE DAY



US Secretary of State Condoleezza Rice met with Haiti's interim prime minister, Gerard Latortue, in Port-au-Prince yesterday. Rice urged Haiti to speed up preparations for elections. See related story on page 2.

Photo: State Department.

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NEWS BRIEFS

Immigration Judge: Posada Won't Be Sent to Venezuela or Cuba

A US immigration judge said Tuesday that Cuban exile and suspected terrorist Luis Posada Carriles will not be deported to Cuba or Venezuela. While leaving open the possibility that Posada could be deported to another country, Judge William Abbott said he feared Posada would be tortured in Venezuela or executed in Cuba. Venezuela is demanding Posada's extradition to face charges he masterminded the 1976 bombing of a Cuban airliner that killed 73 people. Abbott's ruling is expected to strain already tense US-Venezuela relations.

Source: The Miami Herald.

Mexico's Fox Names New Public Safety Secretary

Mexican President Vicente Fox on Tuesday named his intelligence chief, Eduardo Medina, to be secretary of public safety. Medina replaces Ramon Martin Huerta, who along with eight others was killed in a helicopter crash last week.

Source: Reuters.

Report: Migration to US Peaked in 2000

The number of illegal and legal migrants coming to the United States each year peaked in 2000 and then substantially declined after 2001, according to a report released Tuesday by the Pew Hispanic Center. By 2004, the annual inflow of foreign-born persons was down 24 percent from its all-time high in 2000 above 1.5 million. The basic trend was seen for all migrant groups from every region of the world, and for both legal and illegal migrants. The full report is available at www.pewhispanic.org.

Source: Pew Hispanic Center.

Political News**Rice Calls on Haiti to Speed Up Election Preparations**

US Secretary of State Condoleezza Rice on Tuesday urged Haiti to speed up preparations for upcoming elections, which she said are key to the Caribbean nation's future stability. "In my conversations today, I noted that all Haitians must accelerate preparations for the elections," Rice said during a joint press conference with Haiti's interim prime minister, Gerard Latortue in Port-au-Prince after meeting with Latortue, interim President Boniface Alexandre, and members of the country's Provisional Electoral Council. "Everybody with whom I spoke focused on the fact that there must be a transfer of power by the 7th of February and that everybody believes that that is necessary for stability here in Haiti." Rice said that "technical matters" that need to be addressed ahead of the planned November 20 presidential and legislative elections include determining where polling places will be and registering poll workers. Latortue said his government shared the US' concerns and was taking steps to resolve the technical problems. Rice also said the elections must be "open and inclusive and fair," and urged Haitians to vote. The elections would be the first since the government of former President Jean-Bertrand Aristide was toppled during a nationwide revolt in February 2004. The US-backed interim government that took over after Aristide fled into exile has been criticized by rights groups for arresting political opponents and keeping them in prison for months without filing charges, while hundreds of Haitians have died in violence despite the presence of a 7,000-strong, Brazilian-led United Nations peacekeeping force.

Company News**Total Sees Compromise with Venezuela over Higher Taxes**

France's **Total**, Europe's largest oil refiner, said Tuesday it would reach a deal with Venezuela over higher taxes for heavy oil

projects as long as its stake in existing projects was not reduced. "We will reach a compromise with Venezuela," Christophe de Margerie, president of Total's exploration and production division, was quoted as saying by Bloomberg News. De Margerie said the company is not opposed to a new tax law that would increase royalty payments to the Venezuelan government amid skyrocketing global oil prices, but would like to reach a compromise on the amount. "It's normal to renegotiate taxes when contracts were signed when [oil] prices were at \$15 a barrel and have now reached \$60 [per barrel]," he was quoted as saying by Marketwatch. Venezuela, the world's fifth-largest oil exporter, said in June it would raise income tax rates on heavy oil ventures after increasing the royalty rate on the projects last October to 16.67 percent from 1 percent. Total owns 47 percent of the Sincor project, which produced an average of 173,000 barrels of oil a day in 2004, and is negotiating with Venezuela a \$5 billion expansion of the project, called for Sincor II. State-owned **Petroleos de Venezuela** (PDVSA) owns 38 percent and Norway's **Statoil** 15 percent of the original Sincor. Total doesn't want to change the ownership stakes in the original Sincor project, de Margerie said, although it might consider adjusting the percentages in Sincor II. De Margerie said Venezuela "can't enforce" its threat to force oil companies to grant PDVSA a larger stake in their projects. Earlier this month, Total increased its 2005 capital spending plan by \$1 billion to \$11 billion, not including acquisitions, partly because of rising project costs.

Petrobras Aims to Raise \$3 Billion Through Auction of Oil Field

Brazilian state-owned energy company **Petrobras** is auctioning a heavy oil field to raise up to \$3 billion, an unnamed source cited by Reuters said early today. "Petrobras is conducting an auction in Brazil. Bidders have been short-listed," the source was quoted as saying. The field, which carries a roughly estimated value of \$2 billion to \$3 billion, was put up for sale very recently, according to Reuters. Up to 10 global energy companies have looked at

the asset. Petrobras, which is spending heavily on exploration and production, has short-listed **Mitsubishi Corp.**, **Mitsui Corp.**, and **Sumitomo Corp.** for the Brazilian offshore heavy oil block called Jubarte, according to two other unnamed sources cited by Reuters. "Only one of them will be awarded. It's an offshore block yet to be developed and it is expected to produce very heavy crude oil," said one of the sources. Mitsubishi and Mitsui, Japan's two largest trading houses, have already taken part in a few energy projects in Brazil, including the Barracuda and Caratinga offshore oil fields. Their presence is part of a larger tendency by Japanese trading houses to invest billions of dollars in oil and gas production assets worldwide.

Spain's Telefonica Moviles Looks to Challenge America Movil in Mexico

Spain's **Telefonica Moviles** said Tuesday it plans to sign up more subscribers in Mexico as it takes on regional mobile giant **America Movil** in its own back yard, Reuters reported. "For Telefonica, Mexico is a country that has a great growth potential," the new head of Telefonica Moviles' Mexican unit, Miguel Menchen Alumbrosos, was quoted as telling reporters during an event to inaugurate a center to test new technologies. Menchen, however, did not say how much the company planned to invest in Mexico, where it has 5.8 million customers, well behind America Movil's 32.3 million. Telefonica Moviles, which operates in Mexico under the brand name Movistar, entered the Mexican market four years ago. Purificacion Carpinteyro, the director of corporate sales for Telefonica Moviles in Mexico, said the company would focus on corporate customers there. Telefonica Moviles and America Movil are Latin America's two largest mobile operators, and are battling head to head in several countries in the region. America Movil, owned by Mexican billionaire Carlos Slim, has some 73.8 million customers in the Latin America, while Telefonica Moviles has more than 88 million subscribers in Spain, Morocco, and 13 Latin American countries, including more than 28 million in Brazil.

By the Numbers: A Monthly Look at Latin American Data by the Inter-American Dialogue's Claudio Loser

Remittances a Growing Source of Domestic Investment



WASHINGTON—A hot topic in Latin America today is the importance of remittances sent by workers back to their home countries. This has been studied in detail at the Inter-American Development Bank and at the Inter-American Dialogue by a team lead by Manuel Orozco. The amount of money sent by workers to their homes was some \$38 billion in 2003 and may reach \$50 billion this year, some 2.5 percent of total GDP for the region. This is a major, although somewhat controversial, benefit of globalization and migration.

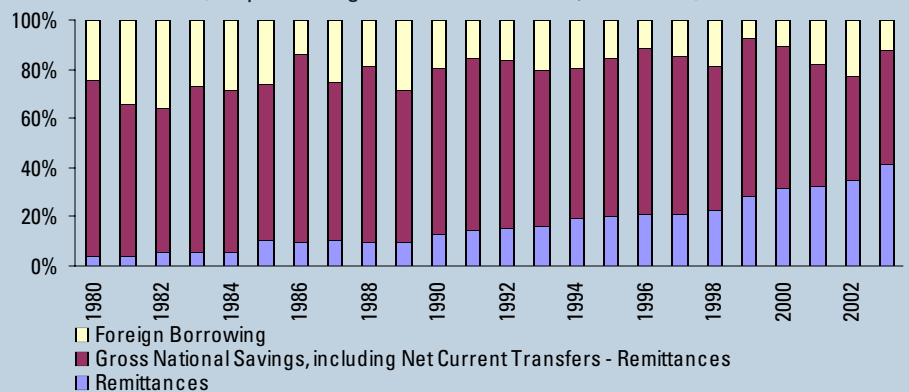
A lot has been written about the impact of these flows on the individual lives of the poor, the high costs of transferring these remittances home, and the dangerous temptations of governments to intervene and direct these flows, both at the giving and receiving end.

Only recently the focus has been placed on the macroeconomic impact of these remittances. Some tentative results emerging from an ongoing study at the Dialogue provide some interesting observations about their importance for the domestic economies (the reader should be aware that I am in charge of the study, together with my associate Caitlin Lockwood).

The chart below shows aggregate numbers for how domestic investment was financed for the period 1980-2003 in seven countries where remittances are particularly important: Mexico (the largest), Colombia, Dominican Republic, Ecuador, El Salvador, Honduras, and Jamaica. What can be observed is that remittances have taken increasing importance in financing investment, while allowing for a reduction in domestic savings, and are now more important than foreign borrowing.

Latin American: Financing of Investment

(simple average of seven countries, 1980-2003)



Source: World Development Indicators 2005, Timeseries Database.

Remittances have become a central component in increasing consumption and reducing national reliance on foreign borrowing, all without forced saving schemes, elaborate subsidies on foreign investment—just plain self and family interest. Not a bad record for such massive movement of people and money as we see today in Latin America.

Claudio Loser is a Senior Fellow at the Inter-American Dialogue and former Head of the Western Hemisphere Department at the International Monetary Fund.

Featured Q&A*Continued from page 1*

their seats have challenged President Rodriguez's decision to call for early elections. Together, these decisions have the potential to delay the election date and exacerbate tensions in Bolivia once

“... It is more likely that all actors ranging from regional to political will work out an arrangement to allow the elections to go forth in December.”

- *Eduardo Gamarra*

again. A significant sector sees a postponement as a last-ditch maneuver to prevent Evo Morales from winning the election. At this stage, Morales leads all public opinion polls, although even if he were to win the election he would not obtain the 50 percent plus one required to become president. Those who see the Tribunal's decision as political also argue that it is a Santa Cruz-based attempt to change the composition of the legislature so that in the congressional round Evo Morales has less of a chance of becoming Bolivia's next president. While it is likely that tensions will escalate considerably in the next few days over this particular issue, it is also likely that a compromise will be worked out. The fact is that in Bolivia all actors have violated the Constitution in a variety of ways to overcome serious political impasses and even to prevent violent confrontations. In this instance, the Tribunal's ruling may indeed be correct, and actors may recognize this as a reality, but it is more likely that all actors ranging from regional to political will work out an arrangement to allow the elections to go forth in December. If no agreement is worked out, however, a postponement could have serious consequences for the tense calm that Bolivia has enjoyed since Eduardo Rodriguez assumed office in June."

A **Guest Comment: Ivan Rebolledo:** "Bolivian President Eduardo Rodriguez has repeatedly said that he has no intention of prolonging his mandate beyond January 2005, at which time a new president should be in office after voting on December 4. However, with each passing day it seems more than likely that the December elections for president, vice president, senators, and representatives will be postponed, adding to Bolivia's ongoing political/social crisis. The Electoral Court has already declared that elections cannot proceed until the existing parliament approves the changes based on revised 2001 census data. Based on this census data, Potosi, Oruro, and La Paz would lose representation, while Santa Cruz would gain seats. The Constitutional Tribunal (Bolivia's highest court) has ruled in a similar fashion. The other pressing issue will be the Constituent Assembly, which is already scheduled to begin on the first Sunday of July 2006. A delay in the presidential election will definitely impact this Assembly and pre-Assembly processes, which potentially face a myriad of complexities due to land reform, parliamentary composition, energy policies, education reform, autonomy issues, etc. Already, protesters are threatening major blockades if the December elections are postponed. If this happens, we will be back to where we started in June of this year, and perhaps worse."

Manuel Rocha is a Founding Partner at The Globis Group LLC and a former US Ambassador to Bolivia.

Eduardo Gamarra is a Professor of Political Science and Director of the Latin American and Caribbean Center at Florida International University.

Ivan Rebolledo is President of the Bolivian-American Chamber of Commerce.

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