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Featured Q&A With Our Board of Advisors

Q US President George W. Bush caught some Bolivian officials off guard last week when he lumped Bolivia in with Venezuela and expressed concern about an "erosion of democracy" in the two countries, an apparent break from previous efforts to reach out to the government of Bolivian President Evo Morales. Has the US' approach toward Bolivia changed? Has Washington written off Bolivia as having fallen into the anti-US Chavez camp?

A **Guest Comment: Ivan Rebolledo:** "US policy toward Bolivia has not significantly changed since Evo Morales took office in January—albeit President Bush's first time ever public remarks on Bolivia were surprising. The State Department's attitude has been one of limited engagement with a 'wait and see' approach. However, four months have now passed, and President Morales has made key decisions that clearly demonstrate to the world the path he intends to take Bolivia on, which include nationalization of the hydrocarbons sector; a free trade agreement with Venezuela and Cuba; reversing the capitalization (privatization) process of the 1990s; land reform, etc. It is time for the US to rethink its policy with Bolivia, get clearly away from its narcotics-centric bilateral relationship, and focus on other important issues in the areas of health and education. Although it is impossible for the US to ever be publicly praised in Bolivia for its impressive levels of

development assistance, the US needs to rethink its bilateral aid and find ways to garner more positive PR from it—as do the Venezuelans and Cubans. The US should attempt to work with the Bolivians on their recent submission of a \$600 million project proposal to the MCC on infrastructural development in northern Bolivia—which could make significant improvements for the country, definitely eclipsing any of Venezuela's and Cuba's recent financial commitments to Bolivia. With the illicit narcotics recertification process around the corner and the upcoming expiration of the ATPDEA, Bolivia will be looking more closely at the US for its actions. Bolivia is not yet lost to Chavez, but the next few months will be critical "

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PHOTO OF THE DAY



Chilean President Michelle Bachelet on Thursday offered concessions to protesting high school students. See story on page 2.

Photo: La Moneda.

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NEWS BRIEFS

Statoil Hit with \$1.5 Million Back Tax Bill in Venezuela

Venezuela's Seniat tax agency on Thursday demanded Norwegian oil firm **Statoil** pay \$1.6 million in back taxes stemming from 2002, according to Reuters. Statoil is the latest foreign oil company to be hit with a bill for back taxes after the government launched a review of foreign oil companies' past tax payments last year.

Chavez Calls Carlos the Jackal a "Good Friend"

Venezuelan President Hugo Chavez on Thursday referred to notorious Venezuelan-born terrorist Ilich Ramirez Sanchez, known as "Carlos the Jackal," as a "good friend," the Associated Press reported. Chavez made the remark at a meeting of OPEC members states in Caracas. Ramirez, who has admitted to leading a 1975 attack that killed three people at the OPEC headquarters in Vienna, Austria, is serving a life sentence in France for the 1975 murders of two French investigators and a Lebanese man.

Bolivian Doctors Stage One-Day Strike to Protest Cuban Doctors

Bolivian doctors staged a one-day strike on Thursday to protest the presence of Cuban doctors sent by Fidel Castro to give free medical treatment, Reuters reported. "We think the health of the Bolivian people should be managed by Bolivians," Fernando Arandia, president of the Bolivian Medical College, was quoted as saying. Some 600 Cuban doctors are working in Bolivia, mainly in eye clinics and rural areas without government-funded health-care facilities, according to Reuters.

Political News

Bachelet Offers Concessions to Protesting High School Students

Chilean President Michelle Bachelet on Thursday offered several concessions aimed at ending nationwide protests by high school students fed up with what they say is a lack of resources and equality in public secondary education, the Associated Press reported. Bachelet said the government would address the protesting students' demands, including reduced transportation fares, repairs to buildings, and their central demand, a federal takeover to reduce inequality between

Governor Geraldo Alckmin. Including blank and null votes, Lula would garner 48 percent of the votes versus 18-19 percent for Alckmin. The poll of 2,002 people was conducted May 28-31 and had a margin of error of plus or minus two percentage points. Alckmin, of the Brazilian Social Democratic Party, or PSDB, faces an uphill battle in unseating Lula, whose popularity was battered by a series of scandals involving his Workers' Party over the past year, but who is currently riding Brazil's recent positive economic performance. On Wednesday, the government reported that the economy expanded 1.4 percent in the first quarter of this year from the previous quarter, and 3.4 percent from the first quarter of 2005.

“The state will be the guarantor of a quality education for all Chileans.”

– Michelle Bachelet

rich and poor schools. "The state will be the guarantor of a quality education for all Chileans," Bachelet said. The president said she would send a bill to Congress to reform Chile's education law, which gives municipalities responsibility for public schools. The law was issued by ex-dictator Augusto Pinochet one day before he left power in 1990. The protests have posed the biggest challenge yet to Bachelet's three-month-old government. On Tuesday, at least a dozen people were injured and more than 700 arrested during street clashes between protesters and police in Santiago.

Lula Enjoys Wide Lead in Brazilian Presidential Poll

Brazilian President Luiz Inacio Lula da Silva would easily win re-election if the vote were held today, according to an **Ibope** poll published on Thursday. The poll, commissioned by local media giant **Globo**, found that not including blank and null ballots, Lula would receive 63 percent of the votes versus 25 percent for his closest rival, former Sao Paulo state

Economic News

Bolivia Awards El Mutun Iron Ore Contract to India's Jindal

The Bolivian government on Thursday awarded a contract to India's **Jindal Steel and Power** to develop El Mutun, believed to be the world's biggest iron deposit, state news service ABI reported. Jindal is expected to invest \$2.3-2.5 billion over the next eight years to develop the site, which is located in eastern Bolivia near the Brazilian border. It would be the biggest investment in a single project in Bolivian history, according to Reuters. Bolivia's minister of planning and development, Carlos Villegas, said development of El Mutun, which holds some 40 billion tons of iron ore, marked the creation of a steel industry in Bolivia and would help the South American nation diversify its economy away from a dependence on the production and export of raw materials. Villegas credited the government of President Evo Morales of bringing the

project to fruition after decades of delays. "The El Mutun project was dormant for more than 50 years," the minister was quoted as saying by ABI in the eastern city of Santa Cruz. "Many governments have gone by that said they had a national vision, and the project continued dormant. Now a government has arrived from popular movements, from indigenous peoples, and that government is fulfilling El Mutun." Development of the site and related steel production should generate 10,000 direct jobs and 30,000 indirect jobs, according to the government.

Company News

Azcarraga: Televisa Will not Join with Saban to Acquire Univision

The chairman of **Televisa**, Mexico's biggest broadcaster, said Thursday his company would not team up with media investor Haim Saban to buy US Spanish-language broadcaster **Univision**, even if Televisa's bid with another group of investors is unsuccessful, Reuters reported. "If a bid by Televisa and its partners is not accepted as the winning bid, Televisa has no intention of engaging in any negotiations with Haim Saban and the group he has formed or any other party with respect to Univision," Emilio Azcarraga Jean was quoted as saying. Televisa has joined with with US billionaire Bill Gates' **Cascade Investment** and four other private equity companies to explore a bid for **Univision**, which announced in February it was considering "strategic alternatives," including its possible sale. Saban is part of a group that includes **Madison Dearborn Partners**, **Providence Equity Partners**, **Texas Pacific Group**, and **Thomas H. Lee Partners** that is exploring a bid for Univision, which could fetch more than \$12 billion, according to Reuters. Televisa, which already has an 11.4 percent stake in Univision and provides 90 percent of the US broadcaster's programs as part of a deal that expires in 2017, has been named as a likely suitor for Univision. Televisa has to bid for Univision through a group of investors in order to get around US laws which restrict foreign ownership of television stations to 25 percent.

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Immigration Reform Unlikely to Pass Before November Elections, Kolbe Says

Any passage of immigration reforms in the US Congress will almost certainly be delayed until after the November mid-term elections, Rep. Jim Kolbe (R-AZ) said last Friday. The congressman, who is retiring this year, told an audience at the Inter-American Dialogue in Washington that it was "90 percent likely" that the House and the Senate would not go to conference over immigration reform before the November elections. Kolbe added that he expects the House to resist going to conference for "as long as possible." The slim chance that the Senate's compromise bill will reach conference before the elections reflects the possibility that public pressure on the president will grow so intense that the House will be forced to go to conference to seek a compromise. If pressure builds to this point, Kolbe said, President Bush will have to play a big role in pushing the House toward a compromise.

Inglis Still Supports CAFTA, Despite Constituent Complaints

Rep. Bob Inglis (R-SC) remains a CAFTA supporter, despite an increase in complaints from business constituents upset by the unexpected high costs that have come along with the Central American trade agreement's passage in the US congress nearly a year ago. "These things are going to work out," Inglis told the Gannett News Service this week. "It does show the wheels of justice turn slowly and the wheels of legislation even slower," he said. Some businesses in textile manufacturing states have complained about higher duties that must be paid when dealing with CAFTA-DR countries that haven't yet ratified the agreement. "It's caused trade to be much harder to do in Central America," said Jason Copland, president and chief executive officer of North Carolina-based **Copland Industries**. The primary problem is that only three of the countries—El Salvador, Honduras, and Nicaragua—have ratified the agreement that allows them to ship textile and apparel goods duty-free to the United States, and duties or import taxes on textile goods from Costa Rica, the Dominican Republic, and Guatemala—which haven't ratified CAFTA—are now as high as 30 percent, according to the Gannett report. Some of these goods were duty-free imports under the Caribbean Basin Initiative, a trade program the six nations participated in before CAFTA.

Bayh Cites Venezuela, Brazil in Call for US Energy Independence

Senator Evan Bayh (D-IN) cited Venezuela and Brazil in a speech Wednesday as motivators for prioritizing US energy independence, according to the *South Bend Tribune*. Bayh, during a visit to a South Bend ethanol plant, said that "it's not healthy for our country to be as dependent as we currently are on unstable places like Saudi Arabia and Venezuela and several other countries around the world." The solution, Bayh said, would be to provide incentives to produce more bio-based fuels such as ethanol and to encourage Americans to produce and buy more high-mileage vehicles. According to Bayh, Brazil's success in getting motor fuel from bio-based resources should be a model for the US. "If the Brazilians can do that," he said, "we can sure do a whole lot better right here in Indiana, providing for our energy needs through bio fuels."

Editor's Note: Congress is out of session until Tuesday, June 6.

Featured Q&A*Continued from page 1*

A Guest Comment: Russell Crandall: "No, the Bush administration still has not written off Bolivia as one more country lost to the Bolivarian Revolution. Rather, the administration's stance toward the Morales government is evolving along with events in Bolivia. The administration first attempted a series of diplomatic 'carrots' in an effort to demonstrate to Morales that there were many important benefits to warm relations with Washington. Yet, Morales' perceived dealings with Venezuela and Cuba have tossed cold water on any potential warm Washington-La Paz relationship. Hence, Bush's remarks about the state of democracy in the country. What is particularly fascinating about the Bush administration's stance toward Bolivia is that it reinforces the reality that in Latin America the US still holds tremendous power, but its influence has diminished."

A Guest Comment: Michael Shifter: "My sense is that, from Washington's perspective, the Morales government's nationalization of the natural gas sector on May 1 was a critical turning point. The general thrust of the decision was of course not unexpected, as it had been promised during the campaign. But sending soldiers to occupy the natural gas fields was seen as unnecessarily provocative and a sure sign of divisive politics. The effect within the Bush administration, I suspect, was to strengthen the hand of hardliners, who from the outset were convinced of a close Castro/Chavez/Morales connection, and to weaken the position of those who advocated attempting to engage with the new Bolivian government. To be sure, the Morales administration is still evolving and taking shape. It is unclear whether it will be possible to reach an understanding with Brazil, Argentina, and Spain on the natural gas question. And elections for the Constituent Assembly on July 2 could also be a significant measure of where Bolivia's politics may be headed. But President Bush's

comment about democratic backsliding—and putting Bolivia and Venezuela in the same category—reflects the dominant assessment within the administration that, for whatever reason, Morales has decided to cast his lot with the supremely confident and aggressive Chavez, Washington's chief adversary in the region."

A Guest Comment: Donald Planty: "I would not try to read too much into the president's statement with regard to Bolivia. I think that the Bush administration would like to engage Bolivia in a constructive dialogue that furthers the interests of both countries. I do not think that Washington has 'written off' Bolivia or that Bolivia is necessarily seen in the anti-US Chavez camp. That said, I do believe that there are real concerns surrounding the 'erosion of democracy' in both Venezuela and Bolivia. The case is clear in Venezuela. In Bolivia, concerns may revolve more around the rapid change in national administrations in response to street demonstrations and violence. Morales himself probably has only a limited amount of time to effect change that is perceived by the masses in Bolivia as economic and political progress. The same forces that swept previous governments from office could be unleashed against Morales if he fails to produce. In that sense, democracy is not working smoothly in Bolivia."

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

Russell Crandall is an Associate Professor of Political Science at Davidson College and was Director for the Western Hemisphere at the National Security Council from 2004 to 2005.

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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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