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Featured Q&A With Our Board of Advisors

Q The US this week launched free trade talks with Colombia, Ecuador, and Peru. Not included in the talks is the Andean country that is perhaps most in need of trade and investment: Bolivia. Do you see Bolivia being included in the negotiations at a later time? What are the consequences for Bolivia of being left out? Is the US paying enough attention to Bolivia?

A **Guest Comment: Ivan Rebolledo:** "USTR has announced that it hopes to include Bolivia in subsequent rounds of negotiations on a US-Andean Free Trade Agreement. It is important to keep in mind that initially FTA negotiations were to begin with Colombia alone, pending the resolution of a few items with Peru and Ecuador, which were finally addressed. We can only hope that the same will happen for Bolivia. In addition, USTR has also reported that it is currently working with Bolivian government officials for future rounds. Being left out of these talks is rather negative for Bolivia. It has some catching up to do, especially in the area of intellectual property protection. However, much attention will be paid to the country in the next few months in relation to its upcoming July referendum on national energy policy. With talk of nationalization (expropriation) by the antisystemic leaders and the uncertain outcome of the referendum, especially in relation to the export of natural gas, US

officials and negotiators are naturally concerned about the future. The US still needs to focus more time and resources on Bolivia, especially in light of the importance that economic and political stability in that country will undoubtedly have on the rest of the Andean region. The previous three Bolivian presidents have been loyal supporters of the US fight on narcotics and coca eradication programs. It is about time that the US administration show its appreciation and steadfast financial support, as it has done in the case of Colombia."

Continued on page 4

PHOTO OF THE DAY



Colombia's high commissioner for peace, Luis Carlos Restrepo, said Wednesday his country needs as much as \$150 million in international aid to disarm right-wing paramilitary fighters. See related story on page 2.

Source: Casa Narino.

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NEWS BRIEFS

Brazilian Central Bank Holds Selic Steady at 16 Percent

The Brazilian Central Bank's nine-member monetary policy committee (Copom) on Wednesday voted to leave the benchmark Selic interest rate unchanged at 16 percent. Six Copom members voted to hold the Selic steady, while three wanted a quarter-point cut. Brazil has experienced financial volatility in recent weeks, with the real currency sinking to a 13-month low last week.

Source: Central Bank, Reuters.

Cost of Argentine Energy Crisis: 2.1 Billion Pesos - Minister

Argentina's energy crisis will cost the government 2.098 billion pesos (\$US 717 million) in previously unforeseen spending, Economy Minister Roberto Lavagna said Wednesday. The extra costs come from emergency fuel imports, subsidies to keep tariffs low, and infrastructure investments. Argentina is experiencing its worst energy crisis in 15 years amid a lack of investment in the energy sector following the economic collapse of 2002. Argentina's economy grew 11.9 percent in March compared to the same month of 2003.

Source: Reuters, INDEC.

Honduras Completes Iraq Troop Withdrawal

Honduras has pulled all of its 370 soldiers out of Iraq, ahead of schedule. Defense ministry spokesman Lt. Col. Rafael Moreno said the troops were withdrawn before an original pull-out date in mid-July because of escalating violence. "There was a total change in the situation and our troops weren't going to fight," Moreno said. "We went [to participate in] operations of stabilization, security, and reconstruction."

Source: Reuters.

Political News

Official: Colombia Needs \$150 Million to Disarm Paramilitaries

Colombia needs as much as \$150 million in international aid to disarm the Andean country's right-wing paramilitary fighters, High Commissioner for Peace Luis Carlos Restrepo said Wednesday, according to Reuters. "If we're talking about demobilizing 15,000 to 20,000 combatants, it's obvious that it will completely surpass the state's budget," Restrepo said. "We hope we can count on resources from the international community." Restrepo said the cost of demobilizing the paramilitary fighters, which includes rehabilitation classes to prevent them from becoming criminals, would be \$7,285 per combatant. The US has said it would consider paying for the demobilization. It had previously paid the cost to demobilize a group of

oil company **Petroleos de Venezuela SA** (PDVSA) said Wednesday the global oil market was well supplied and that an increase in output by oil-producing countries would fail to lower prices, Reuters reported. Ali Rodriguez, a former secretary general of the Organization of Petroleum Exporting Countries (OPEC), said a proposed 1.5 million barrel per day increase in output by the 10 OPEC members with quotas would do more harm than good. "Many people are convinced that, even if OPEC increases production as Saudi Arabia has proposed ... the price will be maintained at this higher level," Rodriguez said. "Many times OPEC has abruptly increased production and suffered the consequences. Oil prices this week reached a 21-year high due to strong global demand, with crude oil for June delivery rising to \$41.50 per barrel on the New York Mercantile Exchange on Wednesday. Rodriguez said the war in Iraq and a lack

Restrepo said the cost of demobilizing Colombia's paramilitary fighters would be \$7,285 per combatant.

paramilitary fighters in Medellin, but later criticized the process. Restrepo's call for aid follows apparent progress in peace talks with Colombia's paramilitary groups. Last week, leaders of the United Self-Defense Forces of Colombia (AUC)—the country's largest paramilitary organization—agreed to remain in a small rural zone under the watch of international observers. Last month, the government had threatened to "annihilate" the AUC if its fighters did not move into "concentration zones." Paramilitary leaders have demanded that any settlement include an agreement to not put them in jail. The AUC, which has been branded a "foreign terrorist organization" by the US, is accused of killing thousands of peasants suspected of supporting left-wing rebels.

Economic News

OPEC Supply Hike Would Do More Harm Than Good - PDVSA President

The president of Venezuela's state-owned

of sufficient refining capacity in the US were to blame for escalating prices. Venezuela is the fifth-largest producer of oil in the world and the third-largest supplier to the US. High oil prices have become a hot button political issue in the United States, with Democrats criticizing President George W. Bush for failing to take steps to lower prices.

Argentina Welcomes EU Decision to End Ban on New GMO Foods

Argentina on Wednesday said it welcomed yesterday's decision by the European Union to lift a five-year ban on new genetically modified (GMO) foods, although they said the decision would result in no immediate economic benefit for the South American country, Reuters reported. "The measure is a step forward because it could lead to future approvals in the bloc, but it is not important on an economic level," said an Argentine agriculture department spokesman. The EU yesterday authorized imports of maize known as Bt-11, which will be sold in supermarkets as tinned

sweetcorn. Argentina, the world's second-largest producer of GMO crops after the United States, produces very little Bt-11. Still, one industry official said the decision is positive for Argentina. "It's symbolic and it's very important because the biggest resistance to [GMO] technology is in the EU," said Juan Kiekebush, director of regulatory affairs in Latin America for Swiss agrochemical company **Syngenta**, which markets Bt-11. The EU still maintains a ban on GMO crops, a prohibition which Argentina, the US, and Canada have challenged at the World Trade Organization. Argentina, which is the largest exporter of corn to the US, may approve cultivation of a new, herbicide-resistant GMO corn, despite the EU ban on GMO crops.

Company News

Telefonica Bids for Full Control of Chilean Mobile Operator

Spanish telephone giant **Telefonica** on Wednesday moved to create the largest wireless operator in Chile by offering \$1 billion to take full control of the mobile unit of **Telefonica CTC Chile**, Reuters reported. Telefonica's mobile subsidiary, **Telefonica Moviles**, made the offer, which will include an assumption of \$243 million in debt. Telefonica Moviles will merge the unit, **Telefonica Movil Chile**, into **BellSouth Corp.**'s Chilean arm, which Telefonica is acquiring along with other Latin American wireless assets from BellSouth for \$5.84 billion. Telefonica will receive 11.6 million mobile-phone users from BellSouth, making its total Latin American share about 44 million, twice its domestic market. Telefonica CTC Chile, in which Telefonica has a 43.6 percent stake, said its shareholders would vote on the proposed purchase within 60 days of board approval of the sale. The acquisition of Telefonica Movil Chile would propel Telefonica Moviles ahead of **Entel** to become the country's largest mobile operator, with some 3.6 million customers and a 49 percent market share. Entel, a unit of **Telecom Italia**, has about 2.7 million subscribers. Telefonica believes the Latin American market, where less than a fourth of the population are mobile phone sub-

Capitol Hill Watch

A weekly look at US congressional activity on Latin America

Arizona Congressman Urges Better US-Mexico Border Security

Rep. Jim Kolbe (R-AZ) called for tighter security measures on the US border with Mexico to prevent the entry of immigrants "here to engage in criminal activity." In an op-ed in *The Hill* on Wednesday, Kolbe urged passage in the House of the Border Security and Technology Integration Act of 2004, which he introduced. The bill calls for improved technological surveillance on the border and better communication between federal, state, and local government agencies. "For those who wish to enter this country to do us harm, the border is our nation's last line of defense," Kolbe wrote. "The federal government has a duty to ensure that line is not breached." So as not to keep workers out, Kolbe referred to the Border Security and Immigration Improvement Act, which he introduced with Sen. John McCain (R-AZ) and Rep. Jeff Flake (R-AZ) last year. The Act seeks to match willing workers with employers through a market-based system.

Source: The Hill.

Senate Subcommittee Holds Hearing on New Envoy to Venezuela

On Tuesday, the Senate Western Hemisphere, Peace Corps, and Narcotics Affairs Subcommittee held a hearing on the nomination of William Brownfield to be ambassador to Venezuela. If his nomination is approved, Brownfield would replace current Ambassador Charles Shapiro. Brownfield was US Ambassador to Chile until November last year. Before that, he was deputy assistant secretary of Western Hemisphere Affairs.

Source: Roll Call, Diario Financiero.

Group Files Complaint with FEC Against Bacardi PAC

A nonprofit watchdog group on Tuesday filed a complaint with the Federal Election Commission (FEC) against the political action committee (PAC) of spirits maker **Bacardi's** for a "pattern of flagrantly violating campaign finance laws." Citizens for Responsibility and Ethics in Washington said Bacardi's PAC did not file FEC reports nor disclose contributions to lawmakers. The PAC has contributed money to House Majority Leader Tom DeLay (R-TX), Senate Finance Committee Chairman Chuck Grassley (R-IA), and Sen. Bill Nelson (D-FL), all of whom have supported trademark legislation that would help Bacardi in a dispute with the Cuban government over the famous "Havana Club" label. Critics say the bill could backfire if Cuba retaliates by not honoring US trademarks.

Source: The Hill.

scribers, is far more ripe for growth than Spain, where over 90 percent of the population are subscribers. Earlier this week, Telefonica said it planned to invest \$600

million this year in its mobile operations in Mexico, up from earlier projections of \$500 million. Telefonica is the second-largest mobile operator in Mexico.

Featured Q&A*Continued from page 1*

A Guest Comment: James Derham: "Although Bolivia is not participating in the negotiations, they are observers. Our understanding is that, with the recent change in government, the Bolivian government was not in a position to participate in free trade negotiations at this time. As observers, however, they will have an opportunity to follow the discussions closely. We anticipate that at a later date the question of Bolivia's joining the negotiations or possibly 'docking' to a US-Andean FTA will be revisited. We continue to follow developments in Bolivia closely. Through the Bolivia Support Group, we are working with other countries in the Hemisphere to assist the Mesa government. In addition, on May 6 Bolivia was selected as one of three Western Hemisphere countries to compete for Millennium Challenge Account funding—an innovative program of US foreign assistance for countries which have demonstrated a commitment to policies that promote development by strengthening democracy, reforming the economy and investing in people."

A Guest Comment: Phillip McLean: "Now is not the time to try to engage Bolivia in talks about serious measures to stimulate trade and attract investment. The country is still too bruised by the rampages of the *globofobicos*, who managed to overturn more than two decades of constitutional continuity last year when they forced President "Goni" Sanchez de Losada out of office in October. Goni's successor, Carlos Mesa, will have trouble enough reconstituting a national will to deal rationally with its most important potential export, natural gas. The benefits offered by a free trade agreement with the United States are limited and long term compared with the country's immediate need to develop its huge gas reserves for export. Properly exploited and responsibly managed, gas will be the key to Bolivia's future. Eventually, the Bolivian polity will have to overcome its deep suspicion of the

way the global economy works and embrace a more outward-looking and optimistic view of the world. Then will be the time to negotiate a free trade agreement."

A Guest Comment: Russell Crandall: "One has to imagine that Colombia, Peru, and Ecuador's movement forward with the US on trade deals will increase the pressure for the Bolivian authorities to join the process as well. What is also clear is that serious trade diversion could occur if Bolivia remains outside while the other Andean countries proceed with the free trade agreements. This would only serve to make Bolivia's tenuous economic situation even worse, something that will undoubtedly ignite greater social and political unrest. The US should waste no effort helping to ensure that Bolivia participates in free trade talks as the country's precarious position—and the related illicit crop production concerns—constitutes a threat to the US' national interest. An enhanced and institutional trade relationship with Bolivia will provide infinitely more benefit to Colombia's political and economic stability than any number of coca eradication operations or millions of dollars in economic development aid."

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

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