

Inter-American Dialogue

LATIN AMERICA ADVISOR

BOARD OF ADVISORS

- | | |
|---|--|
| Diego Arria
Director,
Columbus Group | Jon Huenemann
Principal,
International
Department,
Miller & Chevalier |
| Genaro Arriagada
Board Member, Banco
del Estado de Chile | James R. Jones
Co-chair,
Manatt Jones
Global Strategies LLC |
| Joyce Chang
Global Head of
Emerging Markets
Research, JPMorgan
Chase & Co. | John Maisto
Director,
US Education Finance
Group |
| 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
Managing Director,
AMLA Consulting LLC |
| Wallace Gardner
Vice President,
Worldwide Sales,
Chubb & Son | José Antonio Ríos
Chairman,
Global Crossing
Latin America |
| Javier Garza
Chairman and CEO,
Grupo Domos
Internacional | Andrés Rozental
Chairman of the
Board of Trustees,
Mexican Council on
Foreign Relations |
| Peter Hakim
President,
Inter-American
Dialogue | Everett Santos
President,
DALEC LLC |
| Donna Hrinak
Director for Corporate
and Govt. Affairs,
Kraft Foods Inc. | Roger Scher
Head of Latin
American
Sovereign Ratings,
Fitch Ratings |

Featured Q&A With Our Board of Advisors

Q Center-right millionaire Mauricio Macri won the Buenos Aires mayoral election on Sunday, handily beating Argentine President Nestor Kirchner's hand-picked candidate, Daniel Filmus. What is the significance of Macri's victory? Where does Argentina's once-weakened opposition stand in the country as a result of Sunday's mayoral election in Buenos Aires?

A Guest Comment: Mario Canseco: "Macri's overwhelming victory in Buenos Aires will have an effect on this year's presidential race. If he endorses Ricardo Lopez Murphy, the opposition to the current government will enjoy a big boost. While it remains unclear whether Nestor Kirchner or his wife Cristina Fernandez de Kirchner will repre-

If Lopez Murphy loses to either Kirchner this year, Macri would be perfectly positioned to follow in the footsteps of other Latin American mayors of capital cities who have sought the presidency, such as Andres Manuel Lopez Obrador in Mexico."

A Guest Comment: Hector Schamis: "Once again, the electoral process in the city of Buenos Aires has become a laboratory for national politics. As happened to its predecessors, Sunday was the Kirchner government's turn to be a victim of the

Continued on page 4

PHOTO OF THE DAY



Venezuelan Energy Minister Rafael Ramirez (right) on Tuesday signed agreements with foreign oil companies—minus ConocoPhillips and Exxon Mobil—over the transfer of control of four heavy oil projects to the government. See [story](#) below.

Photo: PDVSA.

“From all perspectives, Macri made a masterful play.”

— Mario Canseco

sent the Front for Victory in the presidential race, previous voting intention polls suggested either could easily win. Now, with more than 60 percent of Buenos Aires voters rejecting the president's candidate, the process will be more complex. From all perspectives, Macri made a masterful play.

Inside This Issue

- | | |
|--|---|
| FEATURED Q&A: What is the Significance in Argentina of Mauricio Macri's Victory?1 | News Briefs: Brazil's Current Account; Galapagos Endangered; LAN Airlines2 |
| ConocoPhillips, Exxon Mobil to Leave Venezuelan Oil Projects2 | Experian Buying Control of Brazil's Serasa for \$1.2 Billion3 |
| Kirchner's, Correa's Popularity Down, Lula's Still High.....2 | By the Numbers: Study Shows Doing Business in Latin America is Not Easy.....3 |

NEWS BRIEFS

Brazil's Current Account Surplus Rose to \$1.82 Billion in April

Brazil's current account surplus rose to a record \$1.82 billion for the month of April, up from \$91 million a year earlier and \$817 million in March, the government said Tuesday, according to Reuters. Brazil recorded net foreign investment inflows in local stocks and bonds of \$5.52 billion in April, versus net outflows of \$5.29 billion in April of 2006, the government said.

UNESCO Says Ecuador's Galapagos Islands in Danger

The United Nations Educational, Scientific, and Cultural Organization's (UNESCO) world heritage committee announced Tuesday that Ecuador's Galapagos Islands are in danger, as tourism and immigration threaten their unique blue-footed boobies and giant tortoises, Reuters reported. Ecuador's president, Rafael Correa, who acknowledged the Islands were at risk in April, has pledged to impose population restrictions and temporarily suspend permits for tourists to visit the archipelago, according to Reuters.

Chile's LAN Airlines Announces Completion of Equity Offering

Chile-based LAN Airlines on Tuesday announced it completed an equity offering, raising a total of \$320 million in the Chilean and US markets. The company placed a total of 19.8 million common shares, a 6.2 percent increase, bringing total shares outstanding to 338,790,909. About 10 percent of the total approved new shares have not yet been placed and are reserved for a stock option plan for company employees, LAN said in a press release.

Company News

ConocoPhillips, Exxon Mobil to Leave Venezuelan Oil Projects

US oil giants **ConocoPhillips** and **Exxon Mobil** will pull out of Venezuelan heavy oil projects after failing to negotiate the transfer of control of the projects to the government, Energy Minister Rafael Ramirez said Tuesday. Ramirez confirmed that the two companies would withdraw from the projects during signing ceremonies with the four remaining companies—the US' **Chevron**, Norway's **Statoil**, France's **Total**, and Britain's **BP**—which struck deals giving Venezuelan state-owned oil company **PDVSA** stakes of 60 to 83 percent in four heavy heavy oil ventures in which the six companies have invested billions of dollars. Talks on terms for ceding the interests of ConocoPhillips and Exxon Mobil will continue, Ramirez said, according to a PDVSA press release. Deputy US State Department spokesman Tom Casey said Tuesday that the compa-

nies should receive "fair and just compensation" from the Venezuelan government. In a press release, ConocoPhillips said negotiations were continuing with Venezuela over "appropriate compensation" for its interests in the **Petrozuata** and

“Although the company is hopeful that the negotiations will be successful, it has preserved all legal rights including international arbitration.”

— *ConocoPhillips*

Hamaca heavy oil ventures, and in the offshore **Corocoro** development project. "Although the company is hopeful that the negotiations will be successful, it has preserved all legal rights including international arbitration," ConocoPhillips stated. The company said it expects to record a

Political News: Kirchner's, Correa's Popularity Down, Lula's Still High

Polls released on Tuesday showed Argentine President Nestor Kirchner and Ecuadorean President Rafael Correa suffering declines in their popularity, while Brazilian President Luiz Inacio Lula da Silva continues to enjoy high personal approval ratings despite a series of corruption scandals.

Amid energy shortages and rising food costs, Kirchner's approval rating fell from 57 percent in May to 52 percent this month, his lowest approval rating since he took office in May 2003, a poll by Buenos Aires-based **Poliarquia** showed, according to Bloomberg News. Kirchner's ratings have dropped from as high as 82 percent in February 2004.

In Ecuador, a **Cedatos Gallup International** poll showed Correa's approval rating falling from 67 percent in May to 62 percent this month, and down from 73 percent when he took office in January, the Associated Press reported. Correa's "credibility" rating was also down, at 54 percent this month compared to 68 percent in January. Cedatos President Angel Polibio Cordova attributed the declines to the recent release of a video allegedly showing Economy Minister Ricardo Patino discussing a scheme to manipulate the market for the country's bonds, as well as to Correa's "belligerent attitude" against critics and opponents.

In Brazil, Lula's personal approval rating rose to 64 percent, its highest since February 2005, from 63.7 percent in April, according to a **Sensus** poll cited by Reuters. Lula's popularity remains high despite a series of corruption scandals involving political allies, cabinet ministers, and even his brother.

"The anchors of [Lula's] popularity are good economic performance and social welfare programs," Sensus Director Ricardo Guedes was quoted as telling reporters.

complete impairment of its entire interest in its oil projects in Venezuela of approximately \$4.5 billion in its second-quarter financial results. Exxon Mobil also said it would continue talks with Venezuela, according to Bloomberg News. The four Venezuelan heavy oil projects are valued at more than \$30 billion combined and are capable of producing 600,000 barrels of oil per day.

Experian Buying Control of Brazil's Serasa for \$1.2 Billion

British credit information firm **Experian** announced Tuesday it was buying control of Brazilian credit bureau **Serasa** for 2.32 billion reais (\$US 1.2 billion) from Brazilian banks. Experian said in a statement it bought 65 percent of Serasa, the world's fourth-largest credit bureau and the largest outside the United States, from **Bradesco**, **Itau**, **Uniao de Bancos Brasileiros**, and the Brazilian units of **ABN Amro Holding NV**, **Banco Santander**, and **HSBC**, and plans to increase its stake to 70 percent over the next six months, Bloomberg News reported. Experian Chief Executive Donald

COMPANY FACTS

Serasa

- * Founded in 1968
- * Currently world's fourth-largest credit bureau
- * Has credit information on 161 mn Brazilians.
- * Sales of 607 mn reais in 2006
- * Sales forecasted to grow 20% in 2007

Source: Experian

Robert said in a statement that the deal, which gives the company control of three of the top five credit bureaus worldwide, was a "transformational opportunity for Experian" and would give it a leading position in Brazil. Experian's CEO for the Americas, Christopher Callero, told reporters in Brazil that the South American nation would be "a launch pad for a lot of opportunities in the entire Latin American market," according to Bloomberg News. Serasa has a database with credit information on 161 million Brazilians and last year had sales of 607 million reais. The transaction is expected to be completed by the end of this month.

By the Numbers

A Monthly Look at Latin American Data by the Dialogue's Claudio Loser Study Shows Doing Business in Latin America is Not Easy



WASHINGTON—A common frustration of domestic and foreign investors in Latin America is the complexity involved in doing business in the region, and thus difficulties in engaging in new investments. There is anecdotal evidence to that effect, but there is also comprehensive material available to look at this issue. Specifically, the World Bank very recently issued the 2007 edition of its annual publication, *Doing Business*, which reviews specific aspects of carrying out business in most countries of the world. The objective of this month's column is to provide a glimpse at some of these numbers

It would not be possible to do justice to the report here, but the table below provides a flavor for a number of representative countries in the region, and a comparison with other countries. The table also presents a simple average calculation for the rankings and other values for the advanced economies, and for countries in Latin America. It is clear that the ranking for the region is low. The average value at 95 is below the median ranking of 87, and compares poorly with the ranking of 23 for the advanced economies. Chile and Mexico are placed in the first quartile. Not surprisingly Venezuela is placed within the last 10 percent, with Bolivia and Ecuador (not shown in the tables) placed only somewhat better, in the company of India. Other countries fall in an undistinguished middle position.

The indicators show particularly troublesome values regarding the time it takes to open a business, the legal rights index for creditors, and the low recovery rate when a business is closed through bankruptcy procedures (0.28 cents on the dollar compared to 0.73 cents for advanced countries). In some cases, the cost of exporting is particu-

Continued on page 4

Ease of Doing Business in Latin America

Country	RANK (total 175 economies)	Time to start a business (days)	Creditor legal rights Index (10=best)	Cost to export (US\$ per container)	Recovery rate in closing a business (cents per dollar)
<i>Singapore</i>	1	6	9	382	91.3
Advanced Economies	23	17	7	776	73.0
Chile	28	27	4	510	20.0
Mexico	43	27	2	1,049	63.2
Uruguay	64	43	4	552	43.2
Peru	65	72	4	800	31.8
Colombia	79	44	3	1,745	57.7
<i>China</i>	93	35	2	335	31.5
Latin America	95	58	4	922	28.3
Argentina	101	32	3	1,470	36.2
Brazil	121	152	2	895	12.1
<i>India</i>	134	35	5	864	13.0
Venezuela	164	141	4	525	6.7

Source: World Bank, Doing Business 2007, and own calculations.

Featured Q&A*Continued from page 1*

porteños' mood. Inconsistent in their loyalties, but at the same time predictably rebellious against incumbents, this electorate continues to be a gauge of Argentine democracy. From the executive branch, all one hears are accusations of opponents being part of the '1990s right-wing.' This is not only insincere, since key members of this administration came from *Menemismo* (or from *Cavallismo*), but it also reveals the inability of the government to look to the future, or that is, its failure to propose anything. If to this we add recent history—the traditional rebellion of the urban middle classes—there is nothing surprising about the defeat of the Kirchner government's own candidate. Looking to the near future, it remains to be seen, as we get closer to October, whether the Kirchners will again package the election as 'a plebiscite,' as they did in 2005. Perhaps it would not be a bad idea. That way, Argentines could let the government know whether they are in favor or against the arrogance of power, the discrediting of the opposition, economic indicators that do not agree with reality, the intimidation of journalists, the imaginary conspiracies, intolerance

and Manichaeism, to name a few issues to vote on. In good measure, *porteños* have already given their opinion. Will it again be premonitory?"

Mario Canseco is Director of Global Studies and Editor of the Angus Reid Global Monitor at Angus Reid Strategies.

Hector Schamis is a Professor of Comparative & Regional Studies at American University's School of International Service.

Clarification

A comment submitted in Spanish by Carlos Nasi and translated to English by Advisor staff for publication in the June 22, 2007 issue of the Advisor stated that Colombia's FARC rebels are seeking the demilitarization of the "cities of Florida and Pradera." A more accurate description in English of Florida and Pradera would have referred to them as larger territorial divisions equivalent to counties, rather than cities.

By the Numbers*Continued from page 3*

larly high, like in Colombia and Argentina. China and India, the two giant performers among emerging economies, don't do particularly well either, but they tend to have lower costs and more flexible markets, and help them in being better placed in terms of competitiveness indices, with the possible exception of Chile.

In the end, readers know that investors may be able to get around many of these difficulties through the payment of bribes, or more generally the use of powerful connections. But usually this entails at best a lack of transparency and most likely higher (if hidden) financial costs.

The picture that emerges is disquieting. It should force our policy makers to stop complaining about the difficult world we live in, and do more in terms of putting our house in order so that we take better advantage of our circumstances.

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

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

Kayleigh O'Keefe, Polyana De Oliveira
Staff Interns

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.