

Week Ended 20 Sep. 2002



LAPA eWeekly (FREE).

The material and data in this newsletter have been compiled from a number of sources (primarily Bloomberg L.P.) by LAPA for the sole use of newsletter subscribers.

LAPA eWeekly newsletter believes the data to be accurate and its sources reliable, but does not warrant the accuracy and the information herein. Reproduction of this newsletter in whole, or in part, without prior consent of LAPA is prohibited. Federal copyright law prohibits unauthorized reproduction by any means and imposes fines up to US\$100,000 for violations.

Send subscription requests to:

[webmaster@latinpetroleum.com](mailto:webmaster@latinpetroleum.com)

LAPA eWeekly is published weekly by LAPA and distributed via Doble-Click Internacional (DCI). Address editorial inquires/comments to:

LAPA  
P.O. Box 721391  
Houston, Texas 77272.

Copyright © 2002 LAPA™.  
All rights reserved.

# LAPA eWeekly

## ARGENTINA

### IMF Says Actions By Congress and Provinces Is Preventing A Loan Agreement

Officials with the **International Monetary Fund (IMF)** told Argentina's President Eduardo Duhalde to halt actions by Congress and provinces that are preventing a loan agreement with the fund. The IMF wants provincial governors to reduce spending; courts to stop helping savers skirt withdrawal restrictions; and Congress to scrap a handful of initiatives that would heap additional losses on banks.

The IMF cut off Argentina's loan program in Dec.2001, just before the country defaulted on US\$95bn in bonds and devalued its currency. Argentina has sought to regain access to IMF funds since then; however, President Duhalde has complained that the IMF has set demands his government cannot meet without stepping on the independence of the other powers of state.

### Renegotiations With Public Utilities Pushed Back For Six Months

Argentina pushed back for six months the renegotiation of prices charged by public utilities, leaving the issue for the incoming government to be elected in Mar.2002. President Duhalde signed a decree last week that gives the government 120-180 days to negotiate new contracts with the companies. Despite the extension, public hearings and parliamentary debate over new prices will begin soon. The Economic Minister said the government may allow utilities an interim price increase of about 10%.

### Argentina Refuses To Use International Reserves To Pay Debt

Argentina has refused to deplete its foreign reserves to pay debt, signaling the country may default on loans from the IMF unless it receives new aid. Using its reserves could provoke the peso to weaken and inflation to accelerate. Argentina owes US\$2.4bn or a quarter of its US\$9.4bn of reserves, to the IMF, **World Bank** and **Inter-American Development Bank (IADB)** during 4Q:02. The country also faces US\$4.5bn in payments due during 1Q:03. The IMF said Argentina would lose the little international credit it has for exports and social programs if it defaults on official lenders. If Argentina misses in payments, it would face penalties from the international financial community, joining a group of defaulted countries that includes: Iraq, Congo, Afghanistan, Liberia and Sudan.

Argentina's central bank has lost 33% of its reserves since Dec.2001 giving discount loans to banks, selling dollars to slow a 73% decline in the peso and paying foreign debt. The government and central bank forced most exporters to liquidate their foreign revenue exclusively through the central bank and lowered limits on foreign currency holdings at exchange houses in a bid to protect reserves. The central bank also said companies would need special approval to pay foreign debts unless they first negotiate a reduction in principal payments, a drop in the interest rate and a 2-year grace period on principal.

Since Dec.2001, Argentina has failed to reach a new loan agreement with the IMF allowing it to refinance its debt. However, the IMF has allowed Argentina to delay repayment on US\$4.6bn in debt thus far this year. Only one payment in the next three

months, about US\$130mm due in Nov.2002, permits a similar 1-year extension. Argentina cannot push back payments to the World Bank and IADB.

## BRAZIL

### UNIBANCO Gets US\$100mm Trade Credit From The World Bank

The World Bank syndicated to US and European banks US\$100mm of a trade credit line for **Uniao de Bancos Brasileiros SA (UNIBANCO)**, Brazil's sixth-largest bank. The trade credit for UNIBANCO will be followed within the next weeks by a similar size line for Banco Itau SA, the country's fourth-largest bank.

By agreeing to take a part of the loan, private banks secure the safety of the World Bank's cover, gaining protection in cases where the government seizes assets or prevents payments on foreign currency loans. The banks assume the commercial risk for the loan, which officially stays on the books of the finance corporation.

## CHILE

### US Hopes To Conclude Trade Agreements With Chile And Singapore This Year

US Trade Representative Robert Zoellick said the Bush administration hopes to conclude trade agreements with Chile and Singapore this year. The trade agreements could be finalized in 2003 after the administration notifies Congress. The Bush administration intends to begin negotiating free trade agreements soon with Morocco and some Central American nations. A panel created in the 2002 trade bill allows House and Senate members to consult with the administration on trade negotiations.

## COLOMBIA

### Paramilitaries Demand Resignation Of 10 Cabinet Members

Right-wing paramilitaries demanded the resignation of 10 Cabinet members in Cesar state, accusing them of corruption. Leftist guerrillas, rivals of the paramilitaries, have demanded the resignation of hundreds of city mayors and state governors as part of a campaign to destabilize local government.

Shortly after taking office last month, President Alvaro Uribe launched a citizen observer network in Valledupar, capital of Cesar state 660 kilometers (410 miles) north of Bogota, to report on rebel activity.

## ECUADOR

### Central Bank Lowers Its 2003 Economic Growth Forecast To 3.5% From 6%.

Ecuador's central bank lowered its 2003 economic growth forecast to 3.5% from 6%. The reduction comes before a meeting between the bank and the consortium constructing the US\$1.3bn **OCP Heavy Oil Pipeline**. The consortium has lowered the forecasted amount of oil to be shipped when the pipeline opens in Jul.2003 by 43% to 220 mb/d. The downward revision in forecasted transport volumes results from a fall in oil sector investment, which has been constrained by a number of social and political protests. The most serious problems relate to a dispute between foreign oil firms and Ecuador's tax authority involving value-added tax (VAT) drawbacks.

Oil companies have filed 26 complaints seeking nearly US\$200mm in VAT reimbursements. Some oil companies have threatened to suspend investments, while others say the failure to recover the drawback will impact their financial budgets. During 1H:02, private oil sector production fell 7% to 30.8 million barrels from 33.3 million during 1H:01.

## MEXICO

### Toyota To Build Factory In Tijuana, Mexico

**Toyota Motor Corp.** plans to spend US\$140mm to build a factory in Tijuana, Mexico, to make 20,000 trucks, the first vehicle-assembly plant in Mexico for the world's third-largest automaker. Toyota will employ 460 people when production begins in 2005.

Toyota's spending on the Mexican assembly plant helps bolster foreign direct investment in the country, which declined 15% during 1H:02 to US\$6.1bn from US\$7.2bn during 1H:01.

Toyota also plans to spend US\$200mm in Argentina over the next couple of years to triple production of pickup trucks and multipurpose vehicles to about 60,000 a year. As much as 75% of which will be exported.

### Water Levels At Historically Low Levels

Mexico's Energy Minister said the country may not be able to meet demand for electricity if rains do not boost water levels at reservoirs located in the southern regions of the country. Water levels have dropped to historically low levels, cutting capacity to produce hydroelectricity. Water levels behind Mexico's hydroelectric dams fell to their lowest in a decade earlier this year. Spare rainfall cut water levels from their peak by 42% in southern reservoirs in May.2002. Since, rainfall has not been sufficient to boost levels back to their prior levels. About 25% of Mexico's energy is produced by hydroelectric power plants.

As a result, Mexican companies may be forced to shut operations at peak hours or cut consumption. The Energy Minister may also try to drum up support for President Vicente Fox's efforts to allow for more private investment in the US\$10bn electricity market.

## PERU

### World Bank Grants The Government US\$100mm To Fight Poverty

The World Bank has granted Peru an US\$100mm loan for immediate disbursement to help the country fight poverty and may lead to as much as US\$920mm between Sep.2002-Jun.2006. The US\$100mm will be repaid in 17 years and includes a 5-year grace period.

---

### Toledo Says Government Will Still Sell State-Owned Companies

Peruvian President Alejandro Toledo said his government would overcome popular resistance and complete its plan to sell government-owned companies. Such sales may help President Toledo close a fiscal deficit that is threatening to exceed Peru's target of 2.2% of gross domestic product (GDP), a condition for US\$316mm in IMF aid. Peru's deficit in 2001 reached 2.5% of GDP.

In Jun.2002, Toledo suspended the sale of two state-owned power generators and shelved other plans to sell government companies amid protests, including riots in Arequipa, the country's second-largest city. Widespread economic recessions and rising unemployment are causing many citizens throughout Latin America to reject advice from the US and the IMF.

During a 5-day visit to Washington, Toledo met with officials from the World Bank and the IADB in an effort to secure US\$800mm for poverty eradication and other social programs. Estimates reveal that about 50% of Peru's 26 million citizens live on less than US\$1.25/day.

---

### Congress Approves New Director Of The Central Reserve Bank

Congress approved Daniel Schydrowsky, a former adviser to

President Toledo, as a director of the Central Reserve Bank of Peru. Schydrowsky was a low-profile adviser to President Toledo on economic issues before being named in Aug.2002 as president of the second-tier state lending bank, Cofide. His nomination to become a central bank director caused a debate over whether he would tilt the bank towards an easier monetary policy. Schydrowsky has rejected these comments. Schydrowsky replaces Juan Jose Marthans, who left the bank board to run the government's banking and insurance supervisory agency, or SBS. Schydrowsky, a one-time adviser to left-wing former president Alan Garcia, has taught at the American University in Washington, D.C., where his research interests were listed as development economics and cost-benefit analysis. He holds a doctorate from Harvard University.

---

### Government Launches Low-Cost Housing Project Dubbed "My Home"

Peru has officially launched a program giving subsidies for low-cost housing, called "My Home". The program is intended to provide homes costing less than US\$12,000. The subsidies will range from US\$1,800 to US\$3,600. About 25,000 of the subsidies could be issued by YE:03. Up to 10% of the funds in the MiVivienda mortgage fund can be used to temporarily finance the program. The IADB could also provide up to US\$160mm in two tranches for the housing program. The IADB will help supervise the granting of the subsidies. President Toledo said the program is also aimed at boosting job creation.

## VENEZUELA

### Tanks And Armored Vehicles Moved To La Carlota Air Base In Caracas

Venezuela's government moved two tanks and several armored vehicles to La Carlota air base this past Friday, forcing the Solidarity Force opposition protesters to move a planned gathering

to another location. The government move comes after the arrest of the group's leader, who placed an advertisement in local newspapers last week asking the military to help oust President Hugo Chavez.

La Carlota airbase was one of eight areas around the capital city of Caracas that was declared a "Secure Zone" in a presidential decree published in the Official Gazette. Opposition leaders have complained the government is cracking down on dissenters.

Nevertheless, the CTV federation of labor unions, which groups about 1 million public sector workers, or about 10% of Venezuela's workforce, has said it is planning a major shutdown demanding Chavez's resignation. The CTV plans to announce by Oct.7.2002 a date for the strike. The country's biggest business chamber, Fedecamaras, has also said it will likely join.

---

### Hamaca Oil Project Hampered By Strike

Venezuela's **Petrolera Ameriven**, a US\$3.8bn heavy oil project, is losing US\$1mm a day as a strike has paralyzed construction of its refinery in the eastern oil complex at Jose. Union leaders at Ameriven said the strike started as workers protested over safety issues, while the company contends the workplace is safe. Oil workers have halted work in support of their construction colleagues.

A prolonged work stoppage would increase costs and delay further the anticipated startup scheduled for YE:03. The project, also known as Hamaca, will allow the company to refine thick, extra-heavy crude into lighter, more valuable synthetic crude when its refinery reaches full capacity.

Partners in Ameriven include: **Phillips Petroleum** (40% WI), the state oil company **Petroleos de Venezuela** (30% WI) and **ChevronTexaco** (30% WI).

---

## **Army General Files Charges Against President Chavez**

A Venezuelan army general filed charges against President Chavez in the country's Supreme Court one day after the US Embassy warned that the country may be wracked by new violence. The army general accused Chavez with abuse of power and for violating the country's constitution by moving to try officers allegedly connected to the coup. The Supreme Court refused a government request three times to prosecute officers for their part in the botched coup attempt.

The US Embassy warned that it is increasingly worried that Venezuelans may use violence to oust Chavez, who was elected in Dec.1998. Unknown opposition groups have placed announcements in newspapers calling on the military to remove Chavez from power. The notices have served to add to already growing political and economic disorder in the country.

. . . . .

## LAPA Energy eMonthly Order Form

If the Latin American Petroleum industry is on your radar screen, you should be reading the Energy eMonthly.

Your subscription to the Energy eMonthly includes:

- 12 months (12 issues a year)
- Delivery of the Energy eMonthly to your desktop (via e-mail) in PDF format
- FREE delivery of all Energy eMonthly "SPECIAL SUPPLEMENTS" to your desktop (via e-mail) in PDF format.
- FREE delivery of the LAPA eWeekly to your desktop (via e-mail) in PDF format
- And COMING SOON, online access to all LAPA archives

Yes! I would like to begin receiving the Energy eMonthly.

### Service Options:

- |                          |   |                            |
|--------------------------|---|----------------------------|
| <input type="checkbox"/> | 1-year of the Energy eMonthly             | <del>US\$217</del> US\$100 |
| <input type="checkbox"/> | 2-years of the Energy eMonthly – SAVE 15% | <del>US\$369</del> US\$170 |
| <input type="checkbox"/> | 3-years of the Energy eMonthly – SAVE 20% | <del>US\$521</del> US\$240 |

**All payments must be in US funds.** The Energy eMonthly is published 12 times per year (includes online access and all our special supplements published during your subscription).

### Payment Options:

Order online at [www.doble-click.com/latin.html](http://www.doble-click.com/latin.html)

Check enclosed for US\$ \_\_\_\_\_. Pay to the order of **LATINPETROLEUM.COM**.

Mail to: Latin Petroleum Analytics (LAPA)  
P.O. Box 721391  
Houston, Texas 77272

Fax: 281.759.9333  
Telephone: 281.584.9297  
E-mail: [webmaster@latinpetroleum.com](mailto:webmaster@latinpetroleum.com)

Charge my:  Visa  Mastercard  American Express  Discover

Acct #: \_\_\_\_\_ Expiration Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address1: \_\_\_\_\_

Address2: \_\_\_\_\_

Address3: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Country: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

LAPA eWeekly Sponsor(s):

---



**Doble-Click Internacional**  
**Communications and Promotional Strategies**  
**[www.doble-click.com](http://www.doble-click.com)**

---

 <p><b>Latin Petroleum Analytics</b> <b><u><a href="http://www.latinpetroleum.com">www.latinpetroleum.com</a></u></b></p>	<p><b>Independent Analysis and Research of the Latin American Petroleum, Mining and Metals and Other Energy Related Industries.</b></p>
--	---