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Send subscription requests to:

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**LAPA
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LAPA eWeekly

ARGENTINA

Argentine Police Raid Banks

Argentine police raided units of FleetBoston Financial Corp., Citigroup Inc. and HSBC Holdings Plc in an investigation into allegations that senators sought bribes from bankers. Police squads searched offices at the three banks for executives' personal items such as data books and agendas. A federal judge ordered the raid as part of the probe. Argentina lawmakers supposedly solicited bribes from banks to stop legislation that would cost lenders millions of dollars. The Argentine Banks Association has said no banks received bribe requests.

BRAZIL

Lula Gaining Support As Elections Approach

Luiz Inacio Lula da Silva of the Worker's Party is gaining the support of former rivals and Brazilian business leaders in the final days in his race for the presidency of Brazil. In Rio, about 120 political leaders from the governing coalition have endorsed Lula, adding their support to that of former presidents Itamar Franco and Jose Sarney. Lula who began in politics as a union organizer, is also winning over long-standing adversaries, the country's businessmen. At least four directors of the Industrial Federation of Sao Paulo, Brazil's largest industry panel, plan to endorse Lula and appear in his campaign ads. Antonio Russo Netto, the head of the Brazilian beef exporters association, praised Lula's plan to boost exports and growth.

Lula has a reputation as a champion of Brazil's poor, yet his traditional support base is in Brazil's wealthiest southern

and southeastern states, including Sao Paulo. His staunchest backers are unionized workers, students and civil servants.

Lula is gaining support as many voters are looking for change after eight years under President Fernando Henrique Cardoso. Lula's principal rival, Jose Serra, was twice a minister for Cardoso and has seen his popularity decline due to rising unemployment and crime, a declining currency and falling real wages. Some investors doubt Lula will create jobs, lower interest rates and boost growth without sparking inflation and loosening controls on government spending.

CHILE

Endesa hopes to Raise Eur\$2-\$3bn By YE:03

Endesa SA hopes to raise Eur\$2bn-\$3bn euros (US\$2-3bn) by YE:03 by selling assets to reduce debt. The sales could include selling at least Eur\$600mm in assets at a Chilean unit in the near future. Endesa may close soon on a US\$60mm sale announced in 2001 of its Chilean roadway infrastructure unit, which has US\$174mm in debt. Endesa may also try to raise money by selling real estate; however, to date the company has been unsuccessful selling any real estate assets. Earlier this month Moody's Investor Service indicated it may lower Endesa's credit rating further after cutting the rating two levels in Jan.2002 to A2.

COLOMBIA

Uribe Confident Colombia Will Secure New Aid To Fight Drug Trafficking And Terrorism

After a meeting with US President George W. Bush at the White House,

Colombia's President Alvaro Uribe said he was confident his country would secure new aid from international lending agencies to fight drug trafficking and terrorism. Uribe said his country is in the forefront of the battle against drug trafficking and terrorism and that governments and lenders worldwide should help it. Colombia needs at least US\$1.2bn in additional external loans in 2003, including a possible US Treasury loan. The US did not say whether they would support Colombia's requests.

Concern that Uribe may not be able to fund a stepped-up campaign against rebels while cutting deficit spending has caused the peso and debt prices to plunge. Uribe's US visit may push forward a future International Monetary Fund (IMF) accord, setting guidelines for Colombia's economic performance and legislative agenda, as well as pledges of funding from the World Bank and the Inter-American Development Bank (IADB). Colombia and the IMF are negotiating a new accord to replace a US\$2.7bn 1999 agreement that expires this year.

CUBA

Agribusiness Expo In Havana Attracts US Food Promoters

Havana's agribusiness expo opened with exhibits from almost 300 US food promoters hoping to build trade with Cuba despite 40 years of US sanctions against the small Caribbean island.

US President Bush has said he will not allow any easing of restrictions until Cuba embraces democratic and economic changes. Congress two years ago approved exceptions to the embargo, allowing direct commercial sales of US food to Cuba.

ECUADOR

Congress Overrides Noboa's Veto

Ecuador's Congress overrode President Gustavo Noboa's veto that excluded

domestic debt and higher pension payments from the uses of a fund to buy back foreign debt. Noboa also assigned all future state revenue from heavy crude oil to the fund, which now will only receive revenue from the new transnational oil pipeline when it comes on line in Sep.2003. Most of the funds will come from the oil pipeline revenue.

Noboa's veto made the law comply with IMF requests to close the loopholes, and sets aside funds for foreign debt reduction. Ecuador has been in talks with the IMF since early-2002, hoping to secure an US\$240mm standby loan agreement needed to balance its books this year.

The new oil pipeline is expected to generate US\$150mm for the fund in 2004, sales could reach US\$500mm annually once the pipeline reaches full capacity. Under the current law, 70% of the fund will be used for debt reduction, 20% of cushion against a drop in the price of oil and 10% for education and health projects.

OPEC

OPEC Decides To Maintain Current Output Levels

In its most recent meeting, the Organization of Petroleum Exporting Countries (OPEC) announced it will maintain production levels. OPEC noted that very moderate global economic growth expected during 2H:02 and normal seasonal growth in demand were the primary reasons to leave output unchanged. OPEC said it is committed to taking on further measures, including convening unexpected meetings, if necessary, to maintain prices within the price band of US\$22-US\$28/bbl.

OPEC intends to keep its overall oil output target, which excludes Iraq, unchanged at 21.7 mmb/d of oil. Below is a table of the current quotas for each member country and estimated actual output in Aug.2002.

Country -- Current -- % Of Quota -- Aug.2002 (Total Output)

Saudi Arabia -- 7.053 -- 32.5 -- 7.659
 Iran -- 3.186 -- 14.7 -- 3.440
 Kuwait -- 1.741 -- 8.0 -- 1.907
 UAE -- 1.894 -- 8.7 -- 1.990
 Qatar -- 0.562 -- 2.6 -- 0.647
 Libya -- 1.162 -- 5.4 -- 1.327
 Algeria -- 0.693 -- 3.2 -- 0.848
 Nigeria -- 1.787 -- 8.2 -- 1.962
 Venezuela -- 2.497 -- 11.5 -- 2.700
 Indonesia -- 1.125 -- 5.2 -- 1.120
 TOTAL -- 21.701 --N/A -- 23.600

Iraq -- 1.716 --N/A -- 1.745
 (Amounts in mmb/d)

OPEC also announced that Qatar's Oil Minister Abdullah bin Hamad al-Attiyah had been appointed as OPEC president, taking the place of Nigeria's Rilwanu Lukman.

PERU

Peruvian's Demand Improved Working Conditions

Thousands of teachers, workers and others marched in Lima and other cities, forcing some businesses and schools to close, to demand President Alejandro Toledo improve working conditions for Peruvians. Police used tear gas to break up demonstrations in the northeastern jungle city of Iquitos while workers and other groups staged peaceful marches in Lima and Piura in the north and Arequipa in the south.

A prolonged nationwide strike would stall economic activity and cost as much as US\$180mm a day in lost output and could make it difficult for the government to hit its forecast growth target of 3.5% for 2002.

Toledo's approval ratings dropped to 17% in Sep.2002 from 59% in Aug.2001, shortly after his election to a 5-year term. Pollsters blame the president's popularity decline on Toledo's failure to deliver on campaign promises to ease poverty and on his plans to sell state assets.

VENEZUELA

President Chavez Accused Of Encouraging Attacks Against Journalists

The Inter-American Press Association and International Press Institute accused President Hugo Chavez of encouraging attacks against journalists. Both groups condemned an attack last week on a television news crew by Chavez supporters, saying the attack was inspired by Chavez's rage against the media.

Chavez accuses the Venezuelan media of conspiring to destabilize his leftist government by minimizing his achievements and exaggerating his faults. A number of newspapers and television stations have come under criticism for taking an open stance against the government.

During the Apr.12-14.2002 coup that briefly deposed Chavez, television stations blacked out coverage of protests demanding the president's return to power. Media owners said the blackout was for security reasons.

Private Investors To Help Pick Up Slack For Future Oil Sector Spending

Venezuelan Oil Minister Rafael Ramirez said the government expects private investors to supply 33.3%, or about US\$13bn, of the forecast US\$40bn in oil sector spending by 2007. Another 33.3% of the investment would come from financing and the remaining 33.3% would come from the government's own coffers.

With the investment, Venezuela expects to increase its production capacity to 5 mmb/d from current levels of 3 mmb/d. The government is also forecasting about US\$10bn in investment in the gas sector over the same time frame.

Ramirez dismissed speculation that reforms to the country's oil sector laws,

enacted in 2001 by presidential decree, would discourage investors as they require Petroleos de Venezuela SA (PDVSA) to take a 51% stake in all future projects.

Given high world oil prices, Ramirez estimated Venezuela's reference basket of crude oils would average US\$21.40/bbl in 2002, resulting in contributions of Bs\$9.4tn bolivars to the national treasury. The country's total budgeted spending is about Bs\$27tn for 2002.

US Ambassador Warns Against "Spiraling Violence"

The US ambassador in Venezuela expressed concerns about "spiraling violence" and persistent coup rumors in the country and reiterated the need for dialogue between President Chavez and his opposition.

The ambassador pointed to several incidents last week: five pro-Chavez activists were killed in western Zulia state, Chavez supporters roughed up the leader of an opposition party during a rally in Caracas and assailants in the capital forced a Globovision television news crew out of its car at gunpoint and smashed the car windows.

The ambassador urged Venezuelans to support efforts by the Organization of American States, the U.N. and the Carter Center, to organize talks between the government and the opposition. Last week, the US embassy also warned Venezuelans against violent attempts to overthrow Chavez.

Opposition parties, business groups and labor unions insist Chavez must leave office before his term ends in 2007, arguing the country is divided over his rule. The government angered opposition leaders last week by decreeing eight "security zones" in Caracas, effectively banning protests near the presidential palace and military installations. Opposition politicians are planning a demonstration Thursday in a zone where National Guardsmen

dispersed a protest with tear gas last week.

March Planned For Oct.10.2002

Opponents to President Chavez, including the largest business association and the biggest labor union federation, plan to march on the capital city of Caracas on Oct.10.2002 in another effort to push Chavez to resign. Opposition politicians will also join Fedecamaras and the Venezuelan Workers Confederation (CTV).

Supreme Court Throws Out Corruption Charges Brought Against Chavez

Venezuela's Supreme Court threw out corruption charges alleged against President Chavez due to a lack of evidence. The court has decided to not hear charges that Chavez illegally received US\$1.5mm from Spain's Banco Bilbao Vizcaya Argentaria SA for his 1999 presidential campaign and that he misused a fund of extra oil income. Charges of obstruction of justice against Attorney General Isaias Rodriguez, a close Chavez ally, were also thrown out.

The ruling increases the likelihood of a national strike (to be announced on Oct.10.2002) aimed at forcing President Chavez to resign as institutional means of removing him from power have been put to rest with the latest ruling.

The court ruled in Aug.2002 that the four officers were innocent of rebellion for their participation in the coup, buoying the hopes of opposition leaders that charges against Chavez would be heard.

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