

# LATIN AMERICA'S TURNAROUND

*Privatization,  
Foreign Investment,  
and Growth*

EDITED BY PAUL H. BOEKER



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Institute of the Americas

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## LIST OF SELECTED ACRONYMS AND ABBREVIATIONS

ADS	American depository share
ANTEL	Administración Nacional de Telecomunicaciones (Uruguay)
BANAMEX	Banco Nacional de México
B/d	barrels per day
BHIF	Banco Hipotecario Internacional de Fomento (Chile)
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (Brazil)
BOO	build-own-operate
BOOT	build-own-operate-transfer
Btus	British thermal units
CANTV	Compañía Anónima Nacional de Teléfonos de Venezuela (Venezuela)
CAP	Compañía de Acero del Pacífico (Chile)
CHILGENER	Compañía Chilena de Generación Eléctrica (Chile)
CHILMETRO	Compañía Chilena de Electricidad Metropolitana (Chile)

CHILQUINTA	Compañía Chilena de Electricidad de la Quinta Región (Chile)
CIE	Compagnie Ivoirienne d'Electricité (Côte d'Ivoire)
CNT	Comisión Nacional de Telecomunicaciones (Argentina)
CODELCO	Corporación del Cobre (Chile)
CORFO	Corporación de Fomento de la Producción (Chile)
CTC	Compañía de Teléfonos de Chile (Chile)
ECOM	Empresa Chilena de Computación e Informática (Chile)
EDELMAG	Empresa de Electricidad de Magallanes (Chile)
EECI	Energie Electrique de la Côte d'Ivoire (Côte d'Ivoire)
ELECDA	Empresa de Electricidad de Antofagasta (Chile)
ELIQSA	Empresa de Electricidad de Iquique (Chile)
EMELARI	Empresa de Electricidad de Arica (Chile)
ENAEX	Empresa Nacional de Explosivos (Chile)
ENAP	Empresa Nacional de Petróleo (Chile)
ENDESA	Empresa Nacional de Electricidad (Chile)
ENTEL	Empresa Nacional de Telecomunicaciones (Argentina)
ENTEL	Empresa Nacional de Telecomunicaciones (Chile)
FCC	Federal Communications Commission (United States)
FDI	foreign direct investment
GDP	gross domestic product
GNP	gross national product
GRIP	Guaranteed Recovery of Investment Principal (International Finance Corporation)
GW	gigawatt
IANSA	Industria Azucarera Nacional (Chile)
IDB	Inter-American Development Bank

kWh	kilowatt-hour
LAB	Lloyd Aéreo Boliviano (Bolivia)
LABCHILE	Laboratorios Chile (Chile)
LNG	liquefied natural gas
MIGA	Multilateral Investment Guarantee Agency
MW	megawatt
MYDFA	Multi-Year Deposit Facility Agreement
OECD	Organization for Economic Cooperation and Development
OLADE	Latin American Energy Association
OPEC	Organization of Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation
PDVSA	Petróleos de Venezuela, S.A. (Venezuela)
PEHUENCHE	Eléctrica Pehuenche (Chile)
PEMEX	Petróleos Mexicanos (Mexico)
PETROBRAS	Petróleo Brasileiro (Brazil)
PILMAIQUEN	Eléctrica Pilmaiquén (Chile)
SCT	Secretaría de Comunicaciones y Transportes (Mexico)
SEGBA	Servicios Eléctricos del Gran Buenos Aires (Argentina)
SISP	Société Internationale de Services Publiques (France)
SOE	State-owned enterprise
SOQUIMICH	Sociedad Química y Minera de Chile (Chile)
STET	Società Finanziaria Telefonica (Italy)
T&D	transmission and distribution
TELMEX	Teléfonos de México (Mexico)
USAID	U.S. Agency for International Development
USIMINAS	Usinas Siderúrgicas de Minas Gerais, S.A. (Brazil)
VASP	Viação Aérea São Paulo (Brazil)

VIASA	Venezolana Internacional de Aviación, S.A. (Venezuela)
YPF	Yacimientos Petrolíferos Fiscales (Argentina)
YPFB	Yacimientos Petrolíferos Fiscales Bolivianos (Bolivia)

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PART ONE

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**FOREIGN INVESTMENT IN  
LATIN AMERICA'S  
PRIVATIZATION**





## Latin America's Economic Opening and the Rediscovery of Foreign Investment

Over the past thirty years Latin America's approach to foreign investment has come full circle, along with its approach to economic growth. The foreign investor, once nationalized and almost declared obsolete, has become a critical player in Latin America's drive for modernization and renewed growth. And the debt-laden state enterprise, once portrayed as the Latin substitute for foreign equity investment, is being privatized virtually everywhere in Latin America. The most graphic reflection of Latin America's new approach to growth is the point at which foreign investment and privatization come together: Latin America's quest to get foreign buyers for the large number of former state enterprises it plans to sell—hundreds of companies, including many of the region's largest, with a total value that could reach US\$100 billion in assets before the 1990s are over.

The change is so dramatic and complete that one must ask: will it last? The answer to that question is by and large a positive one. Privatization and openness to foreign investment are fundamental parts of Latin America's new approach to economic growth, an approach that is bringing the region out of the stagnation in which the turgid inflexibilities of state capitalism left it mired. The new approach has also thrived on Latin America's disillusionment with big government and on the modern political philosophy of the region's leadership and people.