# LATIN AMERICA'S TURNAROUND

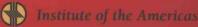
Privatization, Foreign Investment, and Growth

EDITED BY PAUL H. BOEKER



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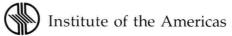


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#### LIST OF SELECTED ACRONYMS AND ABBREVIATIONS

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

**PILMAIQUEN** 

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)

SCT Secretaría de Comunicaciones y Transportes

Eléctrica Pilmaiquén (Chile)

(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)

| LIST OF SELECTED ACRONYM | MS AND | ABBREVIATIONS |
|--------------------------|--------|---------------|
|--------------------------|--------|---------------|

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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

## FOREIGN INVESTMENT IN LATIN AMERICA'S PRIVATIZATION

PAUL H. BOEKER

#### 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.