

**Latin America stories**

The UN, the Organisation of American States and independent observers such as the International Crisis Group worry about two things. First, that armed groups linked to any number of candidates will disrupt voting. Eight "mega-voting centres" installed to compensate for the difficulties in setting up booths in violent areas such as Cité Soleil are seen as particularly vulnerable. Second, the outcome could be so close that the results are contested.

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Mr Préal either needs to do very well, winning in the first round by more than 55 per cent, or very badly, scoring less than 45 per cent. A performance midway between these two extremes increases the risk of claims of fraud, either by Mr Préal's opponents if the frontrunner wins in the first round, or by Mr Préal's supporters if their candidate narrowly fails to secure outright victory. As José Miguel Insulza, secretary-general of the OAS told a recent press conference, the best outcome would be for one candidate to score a big majority or for the leading two candidates comfortably to exceed 50 per cent of the votes, because that "would ensure that the winner would have a fairly solid political mandate".

**Micro-finance**

Long confined to the world of non-government organisations and development banks, micro-finance is finally entering Latin America's financial mainstream. Bankers have their eye on a source of capital that could add significant momentum: the \$55bn in remittances sent to the region by Latin Americans working in the US. Add the fact that

immigrants – especially those without documents – find it difficult to persuade high street banks to accept their business, and it adds up to a sizeable market niche. Atsumasa Tochisako, who spent more than 12 years with Tokyo-Mitsubishi bank in Latin America, was one of the first to spot the potential and has spent the last 18 months looking at ways to link remittances and micro-finance lenders. His company, Microfinance International, has signed deals with HSBC and others to explore possibilities in Mexico and Central America.

Last week, Mr Tochisako announced a tie-up between MIC and Banco Sol of Bolivia, one of the oldest and most successful Latin American microfinance banks. Telegiros Virginia, a money-transfer company specializing in the Bolivian market, is joining the Banco Sol initiative. Banco Sol's senior management will be in Washington on Wednesday and Thursday to discuss the deal. Meanwhile, Mr Tochisako, who stumped up the original \$6m from wealthy Japanese individuals, now thinks he can raise extra funding from institutions.

**Mexico's housing sector**

Mexico's dynamic housing and mortgage finance companies make presentations in New York on Friday. In the week ahead of last year's event, the stocks of companies such as ARA, Hogar, Homex and Urbi rose 17 per cent, outperforming the Latin market significantly, according to a note published last week UBS, the investment bank.

Macro-economic stability, falling interest rates and growing demand for housing favour the sector although it might be too much to expect a repeat of last year's performance.

**Brazil's ethanol boost?**

Brazilian ethanol producers ought to be well positioned to benefit if George W. Bush's push to diversify sources of energy away from the Middle East comes to reality. The policy, announced in the state of the union address last Tuesday, encourages the use of ethanol and other alcohol-based fuels. Brazil is the most efficient producer of ethanol in the world and Cosan is the world's second largest company. The country's historic efforts to promote the use of ethanol, an effort promoted by the military government of the 1970s, means the distribution and logistical network is relatively advanced. Yet US ethanol producers have increased their production sharply in recent years and – like their counterparts in other farming sectors – can be expected to lobby strongly to maintain the 54 cents gallon import tariff. It is perhaps significant in this context that US producers also claim that Brazilian ethanol contains more water than ethanol made in the US. Expect a new front on the agricultural trade battle between the two countries.