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Subscribers may pose questions to the Board of Advisors for the Featured Q&A by contacting the Editor at rsimpson@thedialogue.org

Featured Q&A With Our Board of Advisors

Q Nicaragua's Congress last week created a committee to investigate corruption charges against President Enrique Bolanos. Do you think opposition lawmakers will be successful in removing Bolanos from office? What is the future of anticorruption efforts in Nicaragua if he is removed?

A **Guest Comment: Anthony Quainton:** "Charges of corruption levied against past and sitting presidents have become almost routine in the murky world of Nicaraguan politics. Daniel Ortega, former Sandinista head of state and Arnoldo Aleman, Bolanos' predecessor, have both been accused of extensive wrongdoing while in office. Only Violeta Chamorro, the first post-Sandinista president, has emerged from the presidency with her reputation intact. To date, many of the charges against the other presidents have remained unproved and the penalties imposed have been relatively light. It is, of course, impossible to predict with certainty whether the charges against President Bolanos have merit or will stick, but there can be little doubt that they are in substantial part motivated by the political agenda of the opposition. Corruption is endemic throughout Central America, but the manipulation of corruption charges for political ends in fact often harms the campaign to promote anti-corruption measures rather than helps it."

A **Guest Comment: Manuel Orozco:** "The commission to investigate the allegations are part of a political scheme to further weaken and ridicule the Bolanos government. It is not likely that the president will be removed from office; however, the effect goes beyond the presidency. The problem of implicating the president on corruption is a political strategy to penalize him for his work against corruption. Moreover, there is evidence that the party that brought him to power was very involved in mismanaging election funds. This situation raises serious questions about how to reconcile the legit-

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PHOTO OF THE DAY



Business executives polled in a recent survey said the government of Argentine President Nestor Kirchner is the country's least corrupt in 20 years. See related story on page 2.

Photo: Casa Rosada.

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NEWS BRIEFS

Venezuela Expected to Grow More Than 12 Percent This Year

Venezuela's economy should grow more than 12 percent this year on the back of strong world oil prices, according to Enrique Garcia, president of the Andean Development Corporation. The Venezuelan government's budget foresees growth of 5 percent in 2005, while Central Bank Director Domingo Maza is predicting an 8 percent expansion.

Source: *Venpres*.

Brazil's Senate Okays Nomination of New Central Bank Official

Brazil's Senate on Tuesday approved the nomination of Rodrigo Azevedo as monetary policy director at the Central Bank. Azevedo, former chief economist for **Credit Suisse First Boston** in Brazil, replaces Luiz Candiota, who resigned in July amid charges he committed tax evasion.

Source: *Agencia Brasil*.

Copa Orders 10 Jets from Embraer

Panama's **Copa Airlines** announced Tuesday it had placed a firm order for 10 commercial jets from Brazilian aircraft maker **Embraer** for \$300 million, with an option to buy another 20 jets. Delivery of the first of the Embraer-190 70-100 seat jets is scheduled for November 2005.

Source: *company statement, Reuters*.

Mexico's BBVA Bancomer Appoints New Chairman

Mexican bank **BBVA Bancomer** on Tuesday appointed business leader Hector Rangel its new chairman. Rangel, former head of the Association of Mexican Banks and the CCE business leaders' organization, replaces Ricardo Guajardo, who will continue to serve on BBVA Bancomer's board.

Source: *Reuters*.

Political News**United Nations Inspectors Visit Brazilian Nuclear Plant**

Three United Nations inspectors on Tuesday paid a visit to a new uranium enrichment plant in Brazil to determine whether future inspections would satisfy international concerns about the South American country's willingness to submit to scrutiny of its nuclear program, Reuters reported. The inspectors did not speak to reporters after the visit to the plant in Resende, outside of Rio de Janeiro, and it was not clear whether any progress was made in overcoming the impasse between Brazil and the UN's International Atomic Energy Agency (IAEA) on inspections. The Brazilian government is refusing to

“We will not compromise on our fundamental technical requirements that will allow us to ensure there is no diversion of nuclear materials out of that plant.”

- IAEA spokeswoman *Melissa Fleming*

allow the IAEA to have complete access to the plant due to concerns that proprietary technology used to make the plant's centrifuges could be stolen. An IAEA spokeswoman said, however, that the Agency would cede little, if at all. "We will not compromise on our fundamental technical requirements that will allow us to ensure there is no diversion of nuclear materials out of that plant," spokeswoman Melissa Fleming was quoted as saying. The three IAEA inspectors explained the minimum inspection requirements to officials at the Resende plant yesterday, Fleming said. No one has accused Brazil of pursuing nuclear weapons, but officials have expressed fear that concessions to Brazil by international inspectors would send a bad signal to countries such as North Korea and Iran, both of which have resisted inspections. North Korea is believed to have nuclear weapons, while Iran is suspected of concealing a weapons program. [Editor's note: see related Q&A in the October 19, 2004 issue of the *Latin America Advisor*.]

Survey: Kirchner Government Argentina's Least Corrupt in 20 Years

Argentina's current government is perceived as the country's least corrupt since the end of authoritarian rule 20 years ago, a poll released Tuesday by consulting firm **KPMG** showed, according to Reuters. Just 6 percent of the 1,000 business executives surveyed for the poll said that the government of President Nestor Kirchner, who took office in May of last year, was the most corrupt since 1984, when seven years of military rule ended. Almost 60 percent said that the administration of former President Carlos Menem was the most corrupt. Menem, who was president from 1989 to 1999, has been the subject of several corruption probes and currently lives in neighboring Chile in self-imposed exile. Fifteen percent of survey respondents said

the 2002-2003 government of former President Eduardo Duhalde was the most corrupt.

Company News**Cisneros Affiliate Sues DirecTV, News Corp. Over Latin America Deal**

Darlene Investments, an affiliate of Venezuelan media conglomerate **Cisneros Group** has filed a suit seeking to block plans by satellite broadcasters **DirecTV** and **News Corp.** to consolidate their operations in Latin America, Reuters reported Tuesday. The suit by Darlene, filed in a Florida court on Monday, accuses News Corp. and DirecTV, a News Corp. subsidiary, of committing fraud prior to the transaction and seeks \$1 billion in damages. Last week, News Corp. announced that DirecTV would buy News Corp.'s minority, non-controlling stake in **Sky Latin America** for \$579 million. As a result of the deal, **DirecTV Latin America** will

enjoy monopolies in the region by consolidating its interests with Sky Latin America into a single platform in Brazil, Mexico, Chile, and Colombia. DirecTV owns 86 percent of DirecTV Latin America, while Darlene owns the remaining 14 percent. Darlene alleges that the consolidation plan "was designed primarily to deliver improper benefits to News Corp." by undervaluing DirecTV Latin America, according to Reuters. News Corp. spokesman Andrew Butcher denied that assertion. "It's ridiculous to suggest that News Corp. benefited from the consolidation of the Latin America platforms at the expense of DirecTV," Butcher was quoted as saying. As a result of the deal, DirecTV said last week it will operate in Latin America under the newly created "Panamericana" platform. DirecTV Chief Executive Chase Carey said he expected the company's subscriber base in the region to rise from the current 3.4 million to 5 million within the next three to five years.

Mexican Opposition Leader Files Complaint to Block Wal-Mart Store

A leader of one of Mexico's main opposition parties has filed a complaint with the attorney general's office seeking to block US retail giant **Wal-Mart's** construction of a controversial new store near ancient Indian ruins, Reuters reported Tuesday. Calling the store an "insult," Gerardo Fernandez, national director of the Democratic Revolution Party, filed criminal charges against Wal-Mart, accusing the company of damaging archeological relics during the construction of the Bodega Aurora store, located near the pyramids of Teotihuacan just outside of Mexico City. The store is slated to open in December. Fernandez also accused federal, state, and local officials of "mercantile and irresponsible conduct" by putting the construction of the store on a fast-track. Fernandez said Mexico's national anthropology institute should have halted construction after a small altar was discovered at the site, although preliminary excavations showed no evidence of valuable relics. Wal-Mart, which says the store is an investment in Mexico's poor community, had no immediate comment.

Special Advisor Report

Analysts: Latin America Must Invest in Education, Overcome Poverty to Compete with China

By Devin Finn

WASHINGTON, DC - Latin American countries must overcome poverty and barriers to investing in education in order to keep pace competitively with China, analysts said Tuesday.

"There is a need for a general awareness in Latin America that it must compete better to grow in an increasingly competitive world, and this may require some refining and rethinking of development strategy," Robert Devlin, deputy manager of the Integration Division at the Inter-American Development Bank, told an audience at the Inter-American Dialogue.

Investment in tertiary education, infrastructure and innovation by Latin American countries, in addition to ensuring the quality of education at all levels, is imperative, Devlin and two other experts agreed. Technological advancement in China progresses to soaring levels, as the country generates large numbers of engineers, scientists and mathematicians each year.

High amounts of poverty, however, continue to be obstacles in Latin America to setting aside resources for long-term investments like education and research. Modest comparative growth rates have prevented Latin America from reducing poverty, something Asian countries achieved as their economies grew in the 1960s and 1970s, the analysts said.

China also has an extreme abundance of surplus labor, which is a natural comparative advantage in labor-intensive manufacturing, said Devlin. Firms are migrating to China at the expense of Latin American jobs and products, according to John Williamson of the Institute for International Economics.

A lack of democracy in China may be its potential for weakness, Williamson said, noting that the dangers of democratic transition in China may damage its economic position.

"As countries get richer, so the desire of the general populace for a more democratic way of running the country increases ... There is going to be a demand over time to make the country more democratic," Williamson said.

Javed Burki, CEO of **EMP-Financial Advisors**, said the Chinese democratic consolidation is underway and is part of the country's economic prosperity.

"Political transition in China has begun," Burki stated.

While China represents a competitive threat to Latin America, it has also been a growing consumer of the region's exports, and an increasingly important destination and source of investment, the analysts noted.

"China is seen as both a host for Latin American investment—some countries like Brazil have been moving in that direction—but more importantly as a source [of investment], as large Chinese corporations are showing an interest in moving abroad," Devlin said.

Featured Q&A*Continued from page 1*

imacy and legality of the arguments in light of those who are attacking him. The main casualty is not only Nicaraguan society, but the rule of law in the country. Whether Bolanos is charged or not, the institutions of law and justice are deeply compromised by political and economic interests. Although the prestige of the two major parties is very low, they care more about attaining political power by any means. Therefore, they will continue to weaken the government while sacrificing the rule of law."

A Guest Comment: Steve Johnson: "Enrique Bolanos campaigned against corruption and specifically the notorious acts of his predecessor and fellow Liberal Party member Arnaldo Aleman, now in jail. This has left him with only a small number of supporters among Liberals, the rest frequently opposing him along with the Sandinistas in the National Assembly. Not that the Sandinistas don't have corruption problems themselves—party leader Daniel Ortega's alleged expropriation of property and withdrawal of millions in government funds when he left the presidency in 1990—known as 'the pinata'—angered many Nicaraguans. But in politics, what goes around comes around, and perhaps the charges lodged against President Bolanos are payback. It's also possible that his campaign may have failed to report all contributions as alleged. Yet no one will know the truth unless there is a thorough investigation and an impartial, transparent hearing of the evidence according to the law. Attacking corruption in high places, Bolanos must have known there would be a reaction against himself."

A Guest Comment: David Kolker & Alex Sanchez: "Unfortunately for President Bolanos, his minimal legislative support in the General Assembly makes the probability of impeachment great. With the powerful Constitutionalist Liberal Party and Sandinistas pitted against him, one of his last hopes to remain in power lies with the citizens. On October 18, he fought

back against the allegations of corruption by stating his willingness to open up his personal bank accounts, a move toward transparency that can only be interpreted by his countrymen as a sign of innocence. The only other way for Bolanos to survive this political storm is with the moral support of the OAS, an organization which itself is not without problems. The regional body could release international scorn on those trying to oust Bolanos by invoking the Democratic Charter, were the Nicaraguan president to be removed. However, the recent resignation of Secretary General Rodriguez, as a result of his own corruption scandal back in Costa Rica, has cost the OAS credibility and may hinder its chances of helping Bolanos' cause. If Bolanos is removed, the future of corruption in Nicaragua looks bright. Most likely, scandals like the one the Nicaraguan president is now facing will continue to be politically generated: the powers that be will pick and choose the scandals that will help them politically while ignoring those that do not. Nicaragua's string of tawdry civilian presidents and political figures since the 1990 defeat of the Sandinistas almost makes the revolutionary rulers of the 1980s look relatively good in comparison, but not all that good. There is an epidemic of corruption in Nicaragua that seems to cling to both the left and the right and appears to be far from fading."

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