

Inter-American Dialogue

LATIN AMERICA ADVISOR

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Featured Q&A With Our Board of Advisors

Q With high prices for copper, gold, oil, and other commodities, the pressure is on for natural resource extraction companies to exploit new finds. Is the climate in Latin America today conducive to environmentally responsible natural resource extraction? Are governments and businesses invested in the region doing a good job of balancing environmental stewardship and economic development?

A **Guest Comment: Yolanda Kakabadse:** "The main goal in almost all countries in Latin America is economic growth—not economic development, if we understand by the latter a process that integrates social, economic, and environmental needs; with such short-term vision, there is hardly an effort on the part of government leaders and organizations to invest and prioritize the environment and rational use of natural resources. However, a handful of bright and responsible leaders of Latin American companies do meet environmental standards as high as those of several multinationals that have led the way in these matters. What are the forces behind this 'good behavior?' To start with, the voices of civil society—organized in private organizations—are stronger and better informed now than 20 years ago; their ability to connect in this globalized world allows them to network and disseminate information that will strengthen or dilute the public image of companies, and good

image is good business. However, the threat to the environment remains: good examples of Latin American or multinational companies are still small in number compared with those that destroy, abuse, and neglect their responsibility toward public goods. Governments have not built the capacity to lead by example or control, and quite often society is more concerned with immediate basic needs than with the needs of future generations. Young leaders appear to have more vision—there is still hope for change."

A **Guest Comment: Karim Kahatt & Aileen Hooks:** "Public and NGO pressure for socially responsible corporate behavior and a social
Continued on page 4

PHOTO OF THE DAY



The Organization of American States launched its annual General Assembly meeting in the Dominican Republic on Sunday. Look for Q&A on the June 4-6 meeting in this Thursday's issue of the *Advisor*.

Photo: OAS.

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NEWS BRIEFS

Kirchner Gives Strongest Hint Yet at Re-election Plan

Argentine President Nestor Kirchner on Friday gave his strongest hint yet that either he or his wife, Cristina Kirchner, will run for re-election in 2007, Reuters reported. "All this space for consolidating plurality, all this space for a national movement, will have a candidate who will be an Argentine man or woman, a penguin or she-penguin," said Kirchner, who is labeled a "penguin" because he comes from the cold southern province of Santa Cruz. [Editor's note: look for Q&A on Argentina's 2007 presidential election in next Monday's issue of the *Advisor*.]

Mexican Miners Vote to Continue Strike, Demand Leader's Return

Miners at Mexico's Cananea copper mine voted Sunday to extend a four-day strike until their fugitive union leader, who is accused of corruption by the government, is reinstated, according to Reuters. The miners' union said the accusation against Napoleon Gomez Urrutia, who claims to represent 270,000 miners nationwide, are false. Gomez Urrutia is accused of stealing millions of dollars from workers.

Judge Postpones Auction of Brazilian Airline Varig

A Brazilian bankruptcy court judge has postponed the auction—scheduled for today—of debt-laden airline **Varig**, the company said Friday, according to the Associated Press. The auction was rescheduled at the request of potential buyers, Varig said. Eleven companies were expected to bid for the planes, routes and offices of Varig, which is saddled with some \$3.5 billion in debt and has been operating under bankruptcy protection since July 2005.

Political News

Garcia Defeats Humala in Peruvian Election, Returns to Presidency

Marking an extraordinary political comeback, Alan Garcia returned to the presidency of Peru on Sunday, defeating nationalist Ollanta Humala. With nearly 84 percent of the ballots from the second-round run-off vote counted, Garcia, of the center-left APRA party, had 54.7 percent versus 45.3 percent for Humala, local daily *El Comercio* reported. Garcia's victory was an astonishing achievement for a man whose 1985-1990 presidency was widely considered an economic disaster and who was forced to live in exile for several years after Alberto Fujimori was elected president in 1990. Before

**Garcia**

Photo: Wikipedia.

Venezuela on Saturday received a ship-

a major boost in April when Venezuelan President Hugo Chavez, who openly supported Humala, said that if Garcia was elected Venezuela would sever ties with Peru. Garcia said Sunday that the only loser in Peru's presidential election was Chavez, "he who wanted to take us by the nose with the force of his black money, he who wanted to extend his domination and dictatorship, he who wanted to bring our country and others to militarism like the repulsive formula of yesterday." Speaking to reporters in the Dominican Republic at the annual General Assembly meeting of the Organization of American States, Peruvian Foreign Minister Oscar Maurtua said Sunday he had strongly denounced Chavez's alleged meddling in Peru's presidential election during a session with other hemispheric foreign ministers.

Venezuela Receives Shipment of 30,000 Rifles from Russia

Venezuela on Saturday received a ship-

Garcia declared victory and promised a government of "compromise, agreement, dialogue, and openness," and recognized "a profound demand from the dispossessed."

thousands of supporters in Lima last night, Garcia declared victory and promised a government of "compromise, agreement, dialogue, and openness." He said that while the results were "the affirmation of the need for economic growth tied to international markets" in Lima, in northern Peru, and in the country's mineral-rich and exporting zones, they also included "a profound demand from the dispossessed" in the southern part of the country, where support for Humala was strong. Humala, a former army officer whose proposals to exercise greater state control over the economy spooked investors, conceded defeat, but nevertheless declared that he won a "social and political victory," local daily *La Republica* reported. Garcia was never considered a frontrunner going into the first-round of the presidential election in April, but facing Humala in the second round many Peruvians saw Garcia as the lesser of two evils. His candidacy received

ment of 30,000 Russian-made Kalashnikov rifles and related ammunition as part of what the government of President Hugo Chavez says is an effort to modernize its military but which the US says could have a destabilizing impact in the region. The arrival of the rifles, the first of some 100,000 to be shipped to Venezuela this year, came just a few weeks after Washington banned sales of US arms and military equipment to Venezuela because of what it said was the South American country's failure to cooperate in the war against terrorism. US officials, including Secretary of Defense Donald Rumsfeld, have also in the past questioned recent arms purchases by the Chavez government, and suggested that the rifles could find their way into the hands of rebels in neighboring Colombia. During his weekly television show on Sunday, Chavez asserted the arms purchases were for defensive purposes only. "We will not

mess with anybody, but let no one mess with us," Chavez stated, according to official news service ABN. Earlier this year, the US sought to block Spain's attempts to sell \$2 billion in military ships and planes to Venezuela and opposed a deal for Brazilian jets because they contained U.S.-made military technology, according to Reuters. Chavez said, however, that his government was purchasing Russian Sukhoi 30 fighter jets, which could be in Venezuela as soon as next month. Venezuela has also bought some 15 military helicopters and is negotiating the purchase of an additional 18, ABN reported.

Morales Launches Land Reform Program in Bolivia

The government of Bolivian President Evo Morales on Saturday kicked off an ambitious land reform program, handing over some 9,600 square miles of state-owned land to poor Indians, Reuters reported. At a ceremony in the eastern city of Santa Cruz, thousands of Indians chanting "Evo!" gathered to receive land titles. "We want to change Bolivia together," Morales was quoted as telling the crowd. "Getting back the land means we're getting back all the natural resources, we're nationalizing all the natural resources." Saturday's ceremony came after Morales on May 1 decreed the nationalization of Bolivia's hydrocarbons sector, sending in soldiers to occupy oil and gas installations throughout the country. The ceremony also came on the heels of a breakdown in talks with agribusiness leaders. Bolivia's largest agribusiness group, the National Farmers Confederation, or Confeagro, said last week it would form "self-defense" groups to defend land against government confiscation, claiming Morales "was trying to destroy the country's productive apparatus." Last month, the government announced plans to reform an existing land reform program and accelerate the distribution of at least 4.5 million hectares of land, which has been stalled due to the inefficiency of Bolivia's justice system in resolving title disputes. The government says it plans to redistribute more than 77,000 square miles of land over the next five years.



Countdown to Brazil's Election

A Lula Re-election on the First Round?

David Fleischer's Bi-Weekly Comment on Brazilian Politics Ahead of the Country's October 1 Elections

Brasilia, Brazil—Two new polls were released in late May. Both showed Pres. Lula winning re-election in the first round. Datafolha had Lula up three points to 43 percent and Alckmin up one point to 21 percent, while Sensus had Lula up three points to 40.5 percent but Alckmin down two points to 18.7 percent. Both polls showed Lula's rejection rate declining, but Sensus had Alckmin's rejection among voters up by seven points. Datafolha observed a strong 'rich-poor' polarization. In the lowest income bracket, Lula polled 49 percent versus 17 percent for Alckmin.

Does this mean that a first round victory by Pres. Lula is consolidated? Perhaps yes, perhaps not. Back in May 1994, Lula polled 42 percent (over 50 percent of the valid vote) but went on to be defeated by Fernando H. Cardoso and his Real Plan in the first round in October. Four years later, in April/May 1998, Lula was also ahead in the polls, but Cardoso once again achieved a first-round victory.

Several factors should be considered as possible impediments to an outright Lula victory in the first round: 1) whether the PMDB runs a presidential candidate who might poll some 10-12 percent of the valid vote; 2) another (even worse) corruption explosion that directly involves Lula; 3) a dramatic improvement in Alckmin's campaign performance (lackluster up to now); and/or 4) a possible strong negative 'economic shift' (perhaps from the international sector) affecting a majority of voters—increasing inflation, higher interest rates, increasing unemployment, etc.

After discarding the hypothesis of running a presidential candidate in mid-May, the PMDB national executive committee met on May 25 and decided to delay its national convention from June 11 to June 29—after all other parties would have concluded their conventions. That same morning, Sen. Pedro Simon (PMDB-RS) threw his hat into the ring as a pre-candidate (with Anthony Garotinho as his running mate).

While still clinging to his "impossible dream" [securing a PMDB running mate], Pres. Lula is negotiating a formal PT-PSB-PCdoB coalition that would release a "Letter to the Brazilian People II," similar to that produced in the 2002 campaign. These three parties are still ironing out differences to produce unified coalitions in some states.

Also on May 31, the PFL and PSDB met in Recife to ratify their coalition with Geraldo Alckmin as presidential candidate. Three important *tucanos* were notably absent—former President Cardoso, Jose Serra (candidate for SP governor), and Governor Aécio Neves (running for re-election in Minas Gerais).

PSoL (Party of Socialism and Liberty) has sealed a coalition with the PSTU and PCB with a 'pure blooded' ticket—Senator Heloisa Helena and economist Cesar Benjamin (both from PSoL). Benjamin was an active militant against the military regime that imprisoned him for five years. In the absence of a PMDB candidate, the pollsters claim that the senator from Alagoas might top two digits, accrue votes of those disappointed with Lula and adverse to the PSDB-PFL, and perhaps induce a second round.

Finally, the PPS is debating whether to trash the candidacy of Deputy Roberto Freire and perhaps join the PSDB-PFL coalition. Apparently, a coalition with the PDT has been discarded.

David Fleischer is emeritus professor at the University of Brasilia, director of the School of Social and Political Science at Federal District University Center (UniDF), and editor of the weekly newsletter Brazil Focus.

Featured Q&A*Continued from page 1*

license to operate tend to create a climate conducive to environmentally responsible behavior in the region. A key factor in the region, however, that affects the overall climate toward natural resource extraction, including environmental aspects, is the trend toward a more significant participation of the state in industry. Recently, a more aggressive trend toward nationalization has developed that goes beyond the longstanding state-owned monopolies for oil & gas development in Mexico and Venezuela, and the strong state presence in Ecuador and Brazil. Following the measures adopted by the newly elected government of Bolivia, Peru now faces an imminent threat of nationalization of all private mining and hydrocarbon activities, which has become a key platform in the campaign of one of the two candidates running for presidency in Sunday's run-off. It would be unfair to deny that there has been some degree of improvement in environmental performance by governments and businesses in the region. In the mining sector, for example, Peru and Chile have developed significant socio-environmental regulations covering the entire life-cycle of a mine, from prospecting and exploration to mine closure and reclamation. Businesses are also contributing to improve socio-environmental governance for extractive industries in the region. Companies and business associations are constantly developing self-regulation frameworks, which have led, with some degree of success, to the adoption of corporate social responsibility agendas. The region is even progressively implementing the cooperative model of environmental governance, bringing together state agencies, civil society organizations, and business to address socio-environmental problems, in some cases with support from multilateral development agencies. In some areas,

however, such as forest conservation and protection, little is being done to address serious problems, such as illegal logging and biodiversity loss."

A **Guest Comment: Jeff Gracer:** "The balance is evolving—slowly, but in the right direction. Legal reforms in Latin America at the constitutional as well as statutory level have provided environmental advocates with powerful new tools to hold companies accountable—at the project siting stage as well as after operations commence. In most countries, citizens now have direct access to the courts to vindicate environmental rights—and are using that access effectively. Latin American courts, in turn, are staking out a certain degree of independence in environmental cases—by overturning environmental impact reviews, as well as by awarding damages in some cases to residents who assert personal injury and property damage claims. Governmental enforcement remains weak in most countries, but advocates, private citizens, and the courts are taking up the slack. As a result, resource companies are becoming increasingly sensitive to sustainability issues. Recent political change in the region makes it more important than ever to have broad community support."

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Latin America Advisor

is published every business day by the Inter-American Dialogue, Copyright © 2006

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Latin America Advisor is published every business day by the Inter-American Dialogue
1211 Connecticut Avenue, Suite 510
Washington, DC 20036
Phone: 202-822-9002 Fax: 202-822-9553

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