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# Featured Q&A *With Our Board of Advisors*

**Q Argentines on Sunday elected First Lady and Senator Cristina Fernandez de Kirchner to succeed her husband, Nestor Kirchner, as president of the South American country. How will Fernandez fare as president? How will she tackle tough issues such as inflation, energy shortages, and corruption? What is the future of private foreign investment in Argentina under Fernandez?**

**A Guest Comment: Felipe Noguera:** "The Argentine presidency is constitutionally weak, but comes with high expectations. Its holders resort to ruling by decree, trying to avoid the early exits that have been the fate of many recent presidents. In 2003, Nestor Kirchner took on this challenge with a combination of favorable commodity prices, a pragmatic disregard for institutional 'niceties,' and very low expectations after the 2001-2002 crises. Now the good international scenario persists, but expectations are high after five years of sustained economic growth, and Cristina has suggested that she will be more institutionally inclined. It is an open question as to whether she can pull this off. Continued helter-skelter growth means many imbalances, such as inflation, lack of investment and energy shortages, and also unwanted consequences such as corruption. To date, the couple's strategy has mostly been denial, but Cristina is expected to have to face up to these problems sooner rather than later. She has indicated that her preferred approach is through a 'social pact' with business and unions. Should this fail—as has been the case in the past in Argentina—she might then be tempted to look at more orthodox measures. Until then, new foreign investment is likely to be mostly that involving close ties with the administration, while ongoing operations are likely to re-invest what they need to take advantage of a favorable situation."

**A Guest Comment: Victoria Murillo:** "Fernandez has won the election in the first round although with a smaller propor-

*Continued on page 3*

## PHOTO OF THE DAY

Alvaro Colom leads the race for president in Guatemala ahead of Sunday's election, according to a poll published Monday. See story on page 2.

*Photo: Alvaro Colom campaign Web site.*

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## NEWS BRIEFS

### More Than a Dozen Killed in DR by Tropical Storm Noel

More than a dozen people died in the Dominican Republic on Monday after Tropical Storm Noel flooded the island with rain and cut electricity to thousands of residents, Reuters reported. The death toll could climb as high as 18, said Luis Luna Paulino, head of the Dominican National Emergency Committee. Meteorologists predicted the 50 mile-per-hour storm would not turn into a hurricane and that it would spare US oil and gas facilities in the Gulf of Mexico.

### Radioactive Material Detected in Shipping Container in Honduras

Port authorities in Honduras said Monday they detected strong traces of radioactive material in a shipping container belonging to a local company and bound for Hong Kong, Reuters reported. "We immediately declared an alert and have seized the container for inspection," said Edwin Araque, Honduras' port authority manager. The container, carrying steel debris from Honduras' Puerto Cortes, had traces of Cesium-137, which could have come from a hospital, a government official said.

### Peru's Credicorp Reports 76 Percent Increase in Q3 Profit

**Credicorp Ltd.**, Peru's largest financial holding company, on Monday posted a $90.3 million third-quarter profit, up 76 percent from the same period last year, the Associated Press reported. Credicorp, whose main holding is Banco de Credito, Peru's largest bank, said net interest income rose by one-third to $161 million in the third quarter. Credicorp also runs investment and insurance businesses.

# Political News

## Colom Leads Perez Molina in Guatemala Presidential Race—Poll

Center-left presidential hopeful Alvaro Colom has a slight lead over rival right-wing candidate Otto Perez Molina ahead of Guatemala's run-off election on Sunday, according to a poll published Monday, Reuters reported. Colom received 39.4 percent support among those polled in the survey by local daily *El Periodico*, while retired Gen. Perez Molina fell behind with 35.1 percent. The poll showed a reversal from other recent surveys, where Perez Molina was shown with a slight lead in the neck-and-neck race.

Colom

*Photo: Colom campaign Web site.*

Colom, a businessman and former deputy economy minister making his third presidential bid, won the first round of voting in September. He says Perez Molina, who commanded troops during Guatemala's bloody 1960-1996 civil war and later helped negotiate peace agreements, would be a step backward for the country. Perez Molina says he has the credentials to help the country clamp down on crime. Guatemala has one of the world's highest murder rates, and the current election season has been the most violent since the civil war, with more than 50 political candidates or party officials murdered since campaigning began last year. *El Periodico*'s poll was conducted among 1,008 people from October 20-25 and had a margin of error of 3.2 percentage points.

# Company News

## Mexico's CFC to Launch Probes of Telmex, America Movil

Mexico's Federal Competition Commission, or CFC, will launch separate investigations into the dominance of fixed-line operator **Telmex** and its mobile affiliate **America Movil**, CFC President Eduardo Perez Motta said Monday, according to news reports. Perez Motta said the investigations into the market power of the two companies, both controlled by Mexican billionaire Carlos Slim, would start in "a matter of weeks, I hope no more than three weeks." It would be the second time in six years that the CFC has launched an investigation of the market dominance of Telmex, which has 90 percent of all fixed lines in Mexico. In 2001, the Commission declared Telmex to be dominant in areas such as local, long-distance, and international services, opening the way for possible restrictions. However, last year after a long legal battle a court threw out the CFC's ruling, saying there was insufficient proof against Telmex, according to Reuters. Perez Motta has said that Telmex's dominance justifies the application of asymmetrical regulations to level the playing field against its competitors as they move toward providing "triple-play" services—voice, Internet, and video. The investigation of America Movil would be the first into the local market dominance of the mobile giant, Latin America's biggest mobile operator.

## Austria's Voestalpine Buys Control of Brazilian Steel Parts Supplier

**Voestalpine AG**, Austria's biggest steelmaker, said Tuesday it agreed to buy a 75 percent stake in Brazil's **Meincol Distribuidora de Aco Ltda.**, a supplier of steel parts mainly to the automotive industry, for an undisclosed sum. In a press release, Voestalpine said that Meincol will be integrated with its Profilform division. The agreement marks the Austrian company's first venture in steel parts for trucks and buses in South America. Meincol, based in Caxias do Sul, about 1,500 kilometers south of Sao Paulo, employs some 300 people and has annual revenues of about 300 million reais ($US 170.5 million). Its customers are "mainly well-known partners in the automotive and automotive supply industries, including the bus, commercial vehicle, and cab segments, as well as the construction and furniture industries," Voestalpine said. Under the deal announced yesterday, Voestalpine has the option to purchase the remaining stakes in Meincol, but not until 2011 at the earliest.

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## Featured Q&A

*Continued from page 1*

tion of votes than Alfonsin, Menem, and even de la Rua did. She also relied electorally on the traditional Peronist vote of the less well-off and the more peripheral provinces, as shown by her performance in the northeast, northwest, and Patagonia (save Rio Negro), but she had a more complicated performance in the large urban centers. That means that the middle classes have not been so attracted by her and she needs to decide whether to continue catering to those voters so that they do not go to the opposition or give more to the poorer voters that supported her. The issues related to investment and inflation are important for both groups as opposed to institutional quality and corruption, which are more a concern of the middle classes. Thus, she needs to start with inflation, which is the most electorally risky of the challenges she faces—and it is not unrelated to consequences on frozen prices on energy investment. She cannot and will probably not use the method of tampering with the inflation index and will bring changes to the statistic bureau to improve its credibility, but so far has only mentioned a social pact as a solution to the problem of inflation."

**Guest Comment: Julio Burdman:** "Fernandez arrives politically strengthened with support similar to that of Alfonsin, Menem, and de la Rua. That is relevant, since if she had won by a more narrow margin, or in a run-off, her critics would have been strengthened. The governing coalition will have a Peronist stamp, and the new president, who will confront strong distributive demands, needs to exhibit her own resources of power. The opposition maintains that Fernandez's electoral strength is alarming, because she inherits a centralized power scheme, and she, they say, is an inflexible person who negotiates little. She promises, however, to institutionalize the hyper-presidency model that emerged from the 2001 crisis, but it will not be easy: her own coalition is resistant to changes to political institutions. She should take advantage of the early period. Her country model is Spain, but in contrast to the liberals who maintain that the Spanish miracle is a result of market opening and reforms, for Fernandez Spain's development is a product of classic European social democracy. [She will tackle tough issues] with a gradualist focus that her critics will judge as lukewarm and insufficient. Fernandez listens to economists who affirm that Argentina's macroeconomy needs marginal adjustments, and rejects those who ask that she 'cool' [the macroeconomy]. On energy, the vision of Kirchner and Fernandez is that scarcity needs to be managed for two or three years until some infrastructure works are completed. She needs to avoid the risk of being perceived as corrupt. In Argentina and the world, societies are less male chauvinist and women are allowed to vote, but they are very intolerant of female corruption. In the Menem and Kirchner governments, women accused of corruption could not escape social disapproval. [With regard to private foreign investment,] Fernandez agrees with businessmen and mainstream economists on the diagnosis: more investment and sources of external financing are needed to make economic adjustments and reinsert the country into the world. However, she does not entirely share the economists' prescriptions, nor is she going to be disposed to pay big costs with her electoral base—the poor and those in rural areas. She is betting that with demonstrations of macroeconomic rationality, social pacts on inflation, salaries, and tariffs, and some institutional improvements—Indec, the Paris Club, empowerment of ministries—she is going to create a pro-investment climate. The essence of the neo-developmentalist model is not going to change."

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