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FEATURED Q&A

Could Serra Pull Off An Upset in Brazil's Presidential Vote?

Q Despite polls indicating that Dilma Rousseff had more than 50 percent of the vote and would be propelled to the Brazilian presidency after the first round of elections, the Workers Party candidate on Oct. 3 came up with nearly 47 percent of the vote, shy of the majority needed to avert a second round. Rousseff will face PSDB party candidate José Serra in the Oct. 31 runoff. What caused Rousseff's last minute drop in popularity? What factors will determine the outcome of the second round? What would José Serra need to do in order to turn the race around?

A Peter Hakim, member of the *Advisor* board and president emeritus of the Inter-American Dialogue: "It is impossible to know if Dilma actually suffered a drop in support or the polling data just wasn't an accurate profile of voter preference. To be sure, Brazilian presidential polls in previous elections have been pretty much on target, but who can know this time? If Dilma did lose ground, the reasons were some combination of the previous week's scandal involving her former deputy and replacement as chief of staff and the rising support for Marina Silva, who seemed to become a more and more appealing candidate and enjoyed a sharp surge in the final weeks. Unless some truly unexpected event intrudes, Dilma will win the presidency by a reasonably safe margin. Serra just doesn't have a compelling enough message to change the dynamics of this election, certainly not compelling enough either to draw many votes that went to Dilma in the first round or attract essentially 90 percent of Marina's supporters—even if she were to strongly support him, which is unlikely in any case. From the outset, this was not a race that Serra could win. Most Brazilians want continuity. They want more of Lula. Dilma seems clearly the best way to get it."

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All 33 Chilean Miners Rescued Safely in International Spotlight

The last of the 33 Chilean miners trapped underground for the past 69 days were pulled safely from the mine late in the night Wednesday in an operation that lasted about 24 hours, half the time officials initially estimated. See story on page 2.

Photo: Chilean Government.

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NEWS BRIEFS

Embargo Has Cost $2 Billion in Investment in Past Decade: Cuba

Cuba's government said Wednesday that the U.S. embargo against the communist island has cost it more than $2 billion in investment over the past decade, EFE reported, citing state-run newspaper *Granma*. Because of the embargo, which Washington has maintained since 1962, Cuba is also unable to obtain technology from U.S.-based companies or financing from banks in the United States. The embargo has also curbed the activities of foreign companies in Cuba whose operations are "a complement to the national development efforts," *Granma* added.

Former Guatemalan Interior Minister Arrested in Spain

Carlos Vielman, a former Guatemalan interior minister, was arrested Wednesday in Madrid for his alleged role in extrajudicial executions, EFE reported. Vielman, who served during the term of former President Oscar Berger, is accused in connection with the 2006 executions of seven inmates at the Pavon prison farm. Authorities allege Vielman and two associates used a struggle against gang members for control of the prison camp to eliminate inmate rivals.

Rockhopper to Continue Drilling in North Falkland Basin

UK-based oil company **Rockhopper** announced plans to continue drilling in the North Falklands basin after the successful Sea Lion discovery, but shares dropped by 21 percent Wednesday after advisors cautioned that resources may be lower than previously expected, Bloomberg News reported. The company said it is preparing to conduct more seismic studies.

Political News

All 33 Chilean Miners Rescued Safely in International Spotlight

The last of the 33 Chilean miners trapped underground for the past 69 days was pulled safely from the mine late Wednesday night in an operation that lasted about 24 hours, half the time officials initially estimated. The miners, who were trapped longer than anyone else on record, now face celebrity at home and abroad as international media broadcast coverage of the rescue around the clock Wednesday. Chilean President Sebastián Piñera was on the ground at the rescue site throughout the day, cheering and hugging the miners as they surface from 2,000 feet below. Piñera's approval rating surged to a new high in August on public approval of the country's massive efforts to rescue the men when they were first located alive 17 days after the mine caved in. His approval ratings have since leveled off to 53 percent in September from 56 percent in August, Reuters reported. The incident has drawn attention to working conditions and safety regulations in the global mining industry, especially among small and medium-sized mining companies, Jerónimo Carcelén, a partner at **Carcelén & Cía** in Santiago, told the *Advisor* last month. The **San Esteban Mining Company**, a small business that operated the mine, promptly declared bankruptcy after the collapse and officials from the company were not seen at the rescue site, according to media reports. Chilean state-owned mining company **Codelco** took over the mine and rescue operations immediately, spending an estimated $10 million to $20 million on the rescue.

Codelco is spending an estimated $10 million to $20 million on the rescue.

Mexican Governors Sign Security Pact With Government

Nine Mexican governors and governor-elects have signed a security pact with the government of President Felipe Calderón in an effort to boost crime-fighting efforts, combat kidnapping and improve state police forces, EFE reported Wednesday. Among the state leaders signing the agreement were Chihuahua Gov. César Duarte, Zacatecas Gov. Alejandro Alonso Reyes and Durango Gov. Jorge Herrera. Also inking the 12-point "Chihuahua Accord" were the incoming governors of Aguascalientes, Hidalgo, Oaxaca, Sinaloa, Tamaulipas and Veracruz. The pact outlines the establishment of evaluation centers for police and other safety officials. In addition, it calls for creating special law enforcement units within seven months to fight kidnapping, and the creation of a new model of law enforcement with a central command. Calderón has proposed creating 32 new state police forces, which would operate under the federal government's standards and incorporate municipal police departments. Also as part of the agreement, the governors will work to coordinate efforts to reduce the rates of murder, robberies and extortion, said Calderón. Since taking office in December 2006, more than 28,000 people have been killed in drug-related violence in Mexico. Also on Wednesday, authorities announced the arrest of six people in connection with the killing of the family members of Mexican marine Melquisedet Angulo Córdova, EFE reported. Angulo Córdova was killed during a marine raid that killed drug kingpin Arturo Beltran Leyva on Dec. 16 in Cuernavaca. Angulo Córdova was hailed as a hero and just hours after his funeral, gunmen burst into his family's home in the city Paraiso in Tabasco state and killed his mother, two brothers and an aunt. The six people—five men and one woman—arrested in connection with the family members' killings are suspected of being members of the Los Zetas drug cartel. The suspects were arrested in the city of Emiliano Zapata, said Tabasco state Attorney General Rafael González Lastra. "These are dangerous hitmen that we have here today," he said.

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Economic News

Chile's Lower House Approves Mining Tax Increase

The lower house of Chile's congress on Wednesday approved a measure to raise taxes mining companies must pay, Bloomberg News reported. The final version of the proposal from the administration of President Sebastián Piñera was approved in Chile's Senate on Tuesday. It would effect companies including **BHP Billiton** and **Freeport-McMoRan Copper & Gold**. The measure now goes to Piñera for his signature. The measure would raise more than $1 billion over three years to help pay for reconstruction after Chile's massive Feb. 27 earthquake. It also would pay for the administration's education and health programs, according to Finance Minister Felipe Larraín. "We're convinced the mining sector can contribute more to the country and to reconstruction," Larraín said Wednesday during a floor debate on the bill. The legislation would require mining companies to either move from a fixed rate of 4 percent or 5 percent of operating profit to a sliding scale of 4 percent to 9 percent through 2012. Companies would again pay a fixed rate of 4 percent or 5 percent between 2013 and 2017 and then pay on a sliding scale of 5 percent to 14 percent through 2023. The lower house approved a previous version of the bill Sept. 15, but the government reworked the legislation earlier this month after negotiations with the opposition, which controls the Senate.

Larraín

File Photo: Chilean Government.

Company News

América Móvil Likely to Boost Buybacks, Dividend: Analysts

Mexico's **América Móvil** is likely to increase its share of buybacks and dividends next year because it is accumulating cash at a faster rate than it can invest it, Bloomberg News reported Wednesday, citing analysts. The amount of América Móvil's cash and cash equivalents quintupled in the first six months of the year to 155 billion pesos ($12.5 billion) as its customers spent more money on Internet access and phone calls. The company, Latin America's largest mobile carrier, also issued debt. It also will add more than $9 billion annually in free cash flow annually, Andrew Campbell, a **Credit Suisse** analyst in São Paulo, told Bloomberg News. "Most of the cash will be coming back to shareholders either through a dividend or buyback," Campbell told the news organization. "The company should have quite a lot of flexibility with pretty much all the cash they generate going forward." América Móvil, which billionaire Carlos Slim controls, has few other ways to spend the cash, **Wells Fargo** analyst Gray Powell told Bloomberg. The company already has established third-generation Web networks that can handle Internet access and video downloads.

Featured Q&A

Continued from page 1

A Paulo Sotero, director of the Brazil Institute at the Woodrow Wilson International Center for Scholars: "Corruption charges involving Erenice Guerra, a close ally of Dilma Rousseff and her successor as Lula's chief of staff, were the main factor in Dilma's loss of support in the days before the first round. Dilma's past support for the decriminalization of abortion, which is part of Workers Party platform, also cost her votes among evangelicals and Catholics. The first round results have shaken Lula's confidence in his ability to elect his chosen successor and opened the way for Serra to try a come-from-behind victory. Although his election remains improbable, it is no longer seen as impossible. After an appallingly bad first-round campaign, Serra has taken the offensive and is now running ads that highlight his political biography while keeping the focus on Dilma's negatives. His criticism on her stand on abortion centers not on the Workers Party support of decriminalization of abortion but rather on her recent flip-flopping on the issue, after it became clear it was costing her votes. Serra did better than Dilma in the first televised debate. In order to win, however, he will have to get 70 percent of Marina Silva's almost 20 million votes and dramatically increase his first round base in São Paulo, where he received 2 million votes less than his party candidate for governor, and Minas Gerais, where he got 4.5 million votes less than those cast for his fellow 'tucano' Aécio Neves, a popular governor who was elected senator. Not an easy task."

> "Although [Serra's] election remains improbable, it is no longer seen as impossible."
>
> — *Paulo Sotero*

A Clifford Young, managing director at Ipsos Public Affairs: "It has been a rough and tumble ride in Brazilian politics this year. After an almost unanimous consensus that Dilma would win the election in the first round over her adversaries, we find ourselves in a second round run-off between Dilma and Serra. Why? I attribute it to a number of factors. First and foremost, the late-breaking political scandal linking a top Dilma aid to corruption charges, in my mind, was the primary culprit in taking the election to a second round. This political fact was enough to siphon some support from Dilma, transferring it to Marina Silva. Additionally, the polls were probably off by a point or two, overstating Dilma's lead. We do not have direct evidence, but rather a strong hypothesis

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Featured Q&A

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that polls in Brazil overestimate support for the candidate who is stronger among poorer/less educated voters—in this case, Dilma. Approximately, 18 percent of the Brazilian electorate either does not vote or incorrectly punches the voting machine pad, and such voters tend to be poorer. Looking to the second round, Dilma still remains a strong favorite—she is the government candidate in a very strong continuity scenario. Voters want more of the same. Her campaign needs to shrug off the disappointment of not winning a first-round victory. Here, she needs to keep 'on message' ('the continuity message') and should make clear contrasts between the Lula and Fernando Henrique Cardoso government—both of which Dilma's campaign is emphasizing.

In contrast, Serra and his campaign strategy is 'one of inches not miles,' but a more difficult one. Their game is one of math—how do they find the approximately 5 percentage points they would need to take the election? Here they need to focus on multiple messages which resonate with specific targets. In the United States, we call them 'wedge issues'. Abortion is one example of this. Corruption is another. This is something new in Brazilian presidential campaigns, so its effect is still uncertain."

> "The late-breaking political scandal linking a top Dilma aid to corruption charges, in my mind, was the primary culprit in taking the election to a second round."
>
> — *Clifford Young*

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

Energy

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