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FEATURED Q&A

What Issues Are Driving Peru's Presidential Race?

Q Keiko Fujimori, a congresswoman and daughter of jailed former Peruvian President Alberto Fujimori, in December formally launched her campaign to win her father's old job. A poll published Dec. 13 by survey agency CPI showed a tight race with Fujimori in third place, behind former Lima Mayor Luis Castañeda and former President Alejandro Toledo. What issues are driving the race ahead of the April 10 vote? What part are indigenous groups playing in the election? Will any of the front-running candidates take Peru in a dramatically different economic or political direction?

A Cynthia McClintock, director of the Latin American and Hemispheric Studies Program at The George Washington University: "To date, Keiko Fujimori has not been able to extend her appeal beyond the Fujimorista base. Her vice-presidential choices—in particular Rafael Rey, an ultra-rightist Opus Dei member—did not help. Her major goal is perceived to be amnesty for her father. Amid a myriad of corruption allegations, Castañeda has lost his frontrunner status. The longstanding alliance between Castañeda's party and the major center-right party, the Partido Popular Cristiano, has dissolved. It seems unlikely that the fair-skinned 'mute one' can sufficiently broaden his appeal beyond Lima. Toledo is in first place in some polls. Empathetic and an excellent speaker,

Toledo has effectively highlighted both the successes of his administration and his commitment to the correction of its shortcomings. Given Toledo's ethnic background, he can win indigenous votes. Since 1939, every elected president in Peru who finished his term has been re-elected. The danger for Toledo is that, as the frontrunner, he will bear the brunt of all the other candidates' negative campaigns. Also, including not only Keiko and Castañeda but Pedro Pablo Kuczynski (a premier and finance minister under Toledo) and APRA

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Haitian President Receives Election Report From OAS Team

Haitian President René Préal on Thursday received a report from a team that reviewed the country's election results and was said to have been displeased with the report's conclusions. See brief on page 2.

File Photo: U.S. Government.

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NEWS BRIEFS

Toll From Brazil Mudslides at 527, Becomes Worst Natural Disaster

Heavy rainfall and ensuing mudslides in Brazil's Rio de Janeiro state have killed 527 people, making the floods the country's worst natural disaster, Britain's *Daily Telegraph* reported. More bodies are expected to be found as rescue teams reach towns that were cut off by damaged roads and bridges. The new administration of President Dilma Rousseff has released \$460 million in emergency aid to the region.

Haiti's Préval Receives OAS Election Report

Haitian President René Préval on Thursday received a report from an Organization of American States team that reviewed the country's presidential election but was said to be displeased with the report's conclusion—that his party's candidate should not advance to a runoff, the Associated Press reported. Préval's office had refused to officially accept the report until after Wednesday's one-year anniversary of Haiti's devastating earthquake. An unnamed source told the AP that Préval wanted revisions to the report, which recommended that former first lady Mirlande Manigat and singer Michel Martelly advance to the runoff.

Chilean Defense Minister Resigns

Chile's defense minister, Jaime Ravinet, resigned Thursday, becoming the first minister to leave President Sebastián Piñera's cabinet. Local media speculated that the resignation could be an indicator of a possible cabinet reshuffling, Reuters reported. Ravinet had encountered controversy after saying the Chilean military would be less likely to help during catastrophic events if was forced to disclose details of military purchases.

Political News**State Department Official 'Hopeful' Cuba Will Release Jailed American**

A top official of the U.S. State Department expressed optimism that a U.S. subcontractor who has been jailed in Cuba for more than a year will be allowed to return home, the Associated Press reported Thursday. "I am cautiously optimistic because of things we hear that that would be the case," the official told the wire service on condition of anonymity due to the case's sensitive nature. The subcontractor, Alan Gross, was arrested in December 2009 while working for a company hired by the U.S. Agency for International Development. When asked if the optimism that Gross would be released was based on direct talks with Cuban officials about his situation, the State Department official said "Yes." A possible outcome is that Gross would be tried and convicted and then sentenced to time already served, the AP reported. Gross also could be granted some type of commuted sentence. Despite the optimism, the State Department official said encouraging dialogue with Cuban officials about the case is meaningless unless Cuba finally proceeds with Gross' case.

"Words are nice and they are important, but in the end we have to see actions," said the official. "We have to see things happen to believe it is going to take place." Cuban President Raúl Castro and other Cuban officials have accused Gross, 60, of spying. Gross, of Potomac, Md., was distributing communications equipment to Cuba's Jewish community, according to the U.S. government.



Cuba's two main Jewish organizations have denied any links to Gross. U.S. and Cuban officials held the latest in their series of twice-annual immigration talks on Wednesday in Havana and the U.S. delegation again brought up Gross' case. Roberta Jacobsen, a deputy assistant secretary of state for western Hemisphere affairs, was allowed to meet with Gross, said State

File Photo: Granma.

To Our Subscribers

The Latin America Advisor will not be published Monday, Jan. 17 in observance of the Martin Luther King's Birthday holiday in the United States. We will resume publication on Tuesday, Jan. 18.

Featured Q&A

Continued from page 1

candidate Mercedes Aráoz (a finance minister under García), the center-right and center spaces in the presidential field are uncomfortably crowded. Currently, the nationalistic 2006 runner-up, Ollanta Humala, is a distant fourth in the polls, but he has the left space almost to himself; early polls usually under-weight rural areas, where Humala does well. As in past elections, there is no strong, explicitly indigenous candidate; rather, Keiko, Toledo and Humala will have an indigenous dimension to their campaign appeals. Key issues are corruption, citizen security and the economy—in particular, gas exports and windfall-profits taxes. Most Peruvians want the country's economic growth to be more inclusive."

A Gino Costa, president of Ciudad Nuestra in Lima and former interior minister of Peru: "With three months until the presidential elections, the campaign is about to begin. From 27 national organizations, there are 13 candidates. No one seems to be in a position to win in the first round. Four have the best chances of making it to the second: former president Toledo, the ex-mayor of Lima Castañeda, Fujimori's daughter and Ollanta Humala, the great surprise of previous elections. The first three have each captured around 20 percent of the intention to vote; Humala no more than 15 percent. Mercedes Aráoz, the candidate of the government's party, is at a

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Department spokesman P.J. Crowley. The United States has repeatedly said that the case is an obstacle to improved relations with Havana.

Economic News

Brazilian Central Bank to Offer Reverse Currency Swaps

Brazil's central bank today will offer reverse currency swaps in an effort to help stem the country's rallying currency, Bloomberg News reported. Between 9 a.m. and 9:30 a.m. New York time, the central bank is set to offer 20,000 contracts worth \$1 billion in the reverse swap, which is equivalent to purchasing U.S. dollars in the futures market. The Brazilian real has soared 38 percent against the dollar over the past two years.

Company News

Tecnocom CEO Expects Latin America to Fuel Earnings Growth

New projects in Latin America could drive "spectacular" earnings growth for Spain's second-largest computer-services company, **Tecnocom**, **Telecomunicaciones y Energía**, the company's CEO told Bloomberg News Thursday in an interview. Due to strengthening demand from

“If things get settled, we'll have a lot to say, as earnings growth will be spectacular.”

— *Javier Martín*

the financial sector and telecommunications companies in the region, Tecnocom will experience "great organic growth," Javier Martín told the news service. The company's revenue will increase "in a significant way," thanks to several projects in Latin America that will soon be announced, Martín added. "If things get

settled, we'll have a lot to say, as earnings growth will be spectacular." Sales this year may increase 10 percent, said Martín, who added that Tecnocom's largest clients in Spain are likely to maintain or increase their investments. International revenue could reach 15 percent this year and more than 30 percent next year, Martín added. Tecnocom's main businesses include consulting, outsourcing and network-integration services. The Madrid-based company

is studying possible acquisition targets and could purchase as many as three businesses this year, said Martín, who added Tecnocom is looking to buy a Latin American company that has international operations and more than \$100 million in annual revenues. It also may acquire another two or three Latin American companies with between \$5 million and \$10 million in sales and two other similarly sized companies in Spain, he said.

The Dialogue Continues

How Will Currency Interventions Affect the Region This Year?

Q On Jan. 3, Chile, known for its infrequent use of intervention tactics, announced plans to spend as much as \$12 billion this year to slow the peso's strong growth. The move makes Mexico the only major Latin American economy not taking steps to weaken its currency through intervention or capital inflow controls, according to the *Financial Times*. How successful will Chile's intervention be? What will be the regional consequences of the move? How will currency interventions play out in Latin America in 2011?

A **Edgardo Sternberg, Latin American debt strategist at Loomis Sayles & Co. in Boston:** "A weak U.S. dollar and sustained global demand has placed upward pressure on commodity prices and, as a result, better terms of trade for commodity-producing countries. Pan-Asian growth has also increased the demand for many of Latin America's commodities. This demand paired with the attractive terms of trade, has helped stimulate high domestic demand in many of the countries across Asia, which has led to strain on local producers and increasing complaints from industrialists across South America. Respective governments are listening and increasingly acting as interventionists, but up to this point, countries such as Chile and Mexico have remained quiet, toeing the line with their traditional position that intervention has not been effective

and should not be relied upon unless there is a misalignment between fundamentals and the value of the currency. Chile's announced plan to spend as much as \$12 billion this year to slow the peso's strong growth was not surprising. However, the sheer size of this program is a clear expression of the government's commitment to it. Although the size of the intervention program proportionally increases the chances of its success, there are still strong fundamental reasons for a strong peso. Copper demand is expected to continue to be high, money is still flowing to pay for earthquake reconstruction efforts and the value of the U.S. dollar may remain weak as interest rates remain low. At best, Chile may have drawn a line in the sand at a certain value, but the appreciating pressures still remain. Mexico is better-positioned as its currency is considered to be fairly-priced and has not appreciated as much as others in the region. However, if the appreciation trend becomes more pronounced, we may see the Mexican central bank step up purchases of the dollar to increase the level of international reserves. Ultimately, the one and only thing that would make all Latin American countries feel better is if the Chinese allow for an even faster appreciation of the yuan."

Editor's note: The above is a continuation of a Q&A published in Thursday's Advisor.

Featured Q&A*Continued from page 2*

standstill at 5 percent, with serious internal problems, while Kuczynski, the prime minister and Toledo's economy minister, in the same position but showing a rise, playing to be the surprise. All of the candidates assure economic continuity, betting on the improvement of social policy, especially in education, health and nutrition, except Humala, who proposes profound political and economic changes. Despite an increase in narcotrafficking and a strengthening of the remnants of terrorist groups, until now, the candidates have offered little in that regard. Proposals against corruption, a central concern of constituents, are also expected."

A **Julio Carrión, director of Area Studies at the University of Delaware:** "Jan. 10th—the deadline for registering the presidential slates—has passed, and of the 13 candidates registered to run, only four present a real possibility: Alejandro Toledo, Luis Castañeda, Keiko Fujimori and Ollanta Humala. A couple of months ago, Keiko led the polls; today, she lags behind Castañeda. As for Castañeda, many question his ability to hold on to his numbers and therefore a spot in the runoff election. Banking on his successes as mayor of Lima and acknowledged as an effective manager, his standing has nevertheless been affected, perhaps irredeemably, by corruption scandals. Notable in this election is that Ollanta Humala, in contrast to his campaign in

2006, no longer presents himself as the anti-system candidate. He recently declared that he has 'matured,' but the reality is that he has tamped down significantly on his discourse. However, he faces a near insurmountable gap in a dis-

“This is Toledo's election to lose and only grave political mistakes will deprive him of a second term.”

— *Julio Carrión*

tant fourth place. In this era of unprecedented economic dynamism (the economy grew almost 8.5 percent in 2010 and the inflation rate for the 2001-2010 period was the lowest in 70 years), there is very little appetite for radical change. Toledo, seen as the architect of this growth, finds himself rewarded accordingly in pre-election polls. While recent scandals threaten to make corruption the defining issue of the campaign, so far it revolves around the issue of maintaining economic growth while addressing Peru's pressing social issues. This is Toledo's election to lose and only grave political mistakes will deprive him of a second term."

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

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