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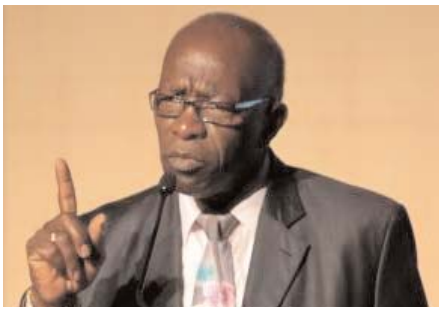
FEATURED Q&A

What Will the Next Six Years Bring in Venezuela?

Q After a bitterly fought campaign, Venezuelan President Hugo Chávez was re-elected to a fourth term on Sunday, defeating former Gov. Henrique Capriles by a margin of about 11 percentage points. Chávez's margin of victory was narrower than his 2006 win, but Capriles garnered fewer votes than some recent polls had suggested he might. To what can Chávez attribute his success at the polls? What will he do with another six years in power? What challenges does he face going forward? What impact will the race and the results have on Venezuela's opposition?

A Michael Shifter, president of the Inter-American Dialogue: "Chávez's victory is hardly a mystery. For starters, despite his illness, Chávez retains a strong emotional connection with many Venezuelans. His undeniable charisma is intact. He projects the sense that he cares about poor Venezuelans and is working tirelessly on their behalf. Thanks to the oil bonanza and the explosion of social programs, the poor have indeed benefited to some degree. Public spending was, to use Teodoro Petkoff's term, 'obscene' and helped guarantee political loyalty and deliver votes. Given the seriousness of the opposition challenge this time, the patronage machine was in high gear. Chávez's control over much of the media, along with the courts and the electoral council, also gave him huge advantages. There is no reason to believe that Chávez will do anything but continue on the same path he has pursued over the past 14 years. That means an attempt to deepen the Bolivarian revolution and even further tighten his grip on the economy and the political sphere. Unfortunately, the persistence of such a governance model will not, however, resolve the problems the country faces, including decaying infrastructure, rampant crime and high inflation. If the opposition continues to be as smart as it was during the campaign, it will capitalize on the

Continued on page 3



Trinidad's Warner Seeks to Ban Release of Crime Statistics

Trinidad and Tobago's security minister, Jack Warner, is seeking to bar authorities in the Caribbean country from releasing crime statistics. Warner, the former vice president of FIFA, said releasing such information encourages more crime. See story on page 2.

File Photo: Trinidadian Government.

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NEWS BRIEFS

AuRico Gold to Sell Ocampo Mine to Minera Frisco

AuRico Gold announced that it will sell its Ocampo mine in northern Mexico and half of its Orion project in the southern part of the country to Carlos Slim's **Minera Frisco** for $750 million, sending AuRico shares soaring more than 16 percent on Wednesday, the Associated Press reported reported. AuRico plans to use some of the funds from the cash deal to make investments, pay off some debt and improve its working capital.

Brazilian Currency Protected Against U.S. Stimulus: Mantega

The Brazilian real is now better protected than in the past in the face of the latest round of monetary stimulus in the United States, said Finance Minister Guido Mantega in an interview Wednesday with Bloomberg News. A financial transactions tax, known as IOF, and the record low interest rates will ensure that the currency doesn't strengthen as much as it has in the U.S. Federal Reserve's first two rounds of quantitative easing, he said.

Colombia's Interbolsa Eyes Expansion into Chile, Peru

Colombia's **Grupo Interbolsa**, the country's largest brokerage, is planning an expansion into Chile and Peru in an effort to take advantage of growth in those countries' stock markets, chief executive officer Rodrigo Jaramillo told Bloomberg News Wednesday. "We are looking to strengthen the company with a strategic partner that can contribute to its development and expansion in the region," he told the news service in a phone interview. Interbolsa also wants to expand in Colombia, which is seeing increased competition among brokerages, Jaramillo added.

Political News

Chávez Names Foreign Minister Nicolás Maduro Vice President

Venezuelan President Hugo Chávez, who was re-elected Sunday to his fourth term, on Wednesday named Nicolás Maduro, who had been foreign minister since 2006, his vice president. Maduro, one of Chávez's closest advisors, would assume the presidency until new elections if Chávez's health forces him to step down. If Chávez were forced to step down during the first four years of his term, the Constitution calls for new elections within 30 days. If the presidency becomes vacant during the last two years of the term, the vice president would serve the remainder. Chávez, who was diagnosed last year with cancer, has undergone two surgeries as well as rounds of chemotherapy and radiation and says he has been cured. Chávez named Maduro vice president during an event at Venezuela's National Electoral Commission where he was officially designated the winner of the country's presidential election, BBC News reported. Chávez is to be sworn in for his next six-year term in January. Maduro replaces Elías Jaua, who is running against Henrique Capriles for the governorship of Miranda state, which voters will decide in December. Capriles was the state's governor until June when he stepped down to launch his unsuccessful bid for president. Maduro, a former bus driver, has often been seen as a potential successor to Chávez and has been president of the National Assembly and a key member of Chávez's United Socialist Party of Venezuela. Maduro is a "great public servant," Chávez said Wednesday. "Look where he is going, Nicolás the bus driver," he added. "How they mocked him, the bourgeoisie."

Maduro replaces Elías Jaua, who is running against Henrique Capriles for governorship of Miranda state.

Trinidad's Security Minister Seeks to Ban Release of Crime Statistics

Trinidad and Tobago's security minister, Jack Warner, has ordered authorities in the Caribbean country to stop releasing crime statistics, the Associated Press reported Wednesday. Warner, the former vice president of soccer's world governing body, FIFA, said the release of information about crimes encourages criminals to commit more illegal acts. "They want to make news, they want to make headlines," Warner said late Tuesday. "I decided with immediate effect that no figures of any kind will be given anywhere ... I've also instructed the police not to reveal any figures on murders anywhere, anytime." However, Stephen Williams, the country's acting police commissioner said Wednesday that he had not received any such order from Warner and added he would continue releasing crime data to the public and the media. "The matter of dissemination of information to the public is one which I believe the police service has a legal obligation to fulfill, and we will in fact be fulfilling our legal obligation," said Williams. Prohibiting the police from releasing information about crimes "is not a matter which the minister has authority to instruct the commissioner of police on," Williams added. Drug-related violence has become a significant problem in Trinidad, a transit point for cocaine originating in South America. Residents of the Caribbean island nation took to social media and radio stations to blast Warner's decision, saying the order violated Trinidad's freedom of information laws. Warner was appointed Trinidad's national security minister in June, a year after he resigned as FIFA's vice president. He had been accused of paying bribes to soccer organizations in the Caribbean, but denies wrongdoing, BBC News reported.

Company News

Brazil's Embraer Faces Turbulence in Meeting Annual Targets

Brazilian aircraft manufacturer **Embraer** said Wednesday that third-quarter

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declines in deliveries of executive and commercial planes will make it difficult for the company to achieve its annual targets this year, Reuters reported. Embraer delivered 40 civil jets between July and September, a decline from 55 planes in the second quarter and 46 in the third quarter of last year. The plane maker had forecast deliveries of between 195 and 215 jets for this year, but has delivered only 129 this year through September. Embraer does not publicly release deliveries of military planes. The company is scheduled to release earnings Oct. 23, but the weakness in third-quarter deliveries have dampened some analysts' outlooks. Embraer's firm-order backlog declined to $12.4 billion as of the end of September, its lowest level in more than six years. The backlog stood at $12.9 billion at the end of June and $16 billion at the end of September 2011. The aircraft maker has had particular trouble with cancelations of private jet orders, CEO Frederico Curado said last month. Europe's debt crisis has led to deferred orders and cancelations, a top executive told Reuters in June. The company delivered 46 executive jets for this year's first nine months, as compared to a forecast of 90 to 105 for the entire year. The market for business aircraft needs a few more years to recover to its peak in 2007-2008, said Curado.

Curado

File Photo: Embraer.

Pacific Investment Management Co. Establishing Office in Brazil

Pacific Investment Management Co. plans to establish its first Latin American office in Brazil as the country's record-low interest rates fuel demand for global investments, Bloomberg News reported Wednesday. Pimco's staff of about 15 will be based in Rio de Janeiro and will have teams focused on credit research, business development and client servicing, said Alec Kersman, a senior vice president and head of Latin America and Caribbean operations at Pimco.

Featured Q&A

Continued from page 1

regime's growing vulnerabilities. Though understandably dispirited, the opposition has a chance to build on its momentum and focus on strengthening its organization and expanding support. Henrique Capriles displayed impressive leadership and political savvy during the campaign—and exceptional class after his loss to Chávez."

A Julia Buxton, senior research fellow in the department of peace studies at the University of Bradford in the United Kingdom: "Chávez's success can be attributed to two key factors. First, he was able to rely on a strong organizational base to substitute for the limitations of his own individual campaign. We frequently hear about Chávez's populist tendencies, but this election showed that the coherence of Chavismo has more to do with the mobilizational capacity of the grassroots then the spellbinding charisma of the individual. Conversely, Capriles was negatively affected by the lack of a strong party machine and over-reliance on his individual personality. Chávez's performance was also a product of his administration's commitment to progressive social policies and evident delivery on its welfare commitments. For Capriles, the challenge was convincing the electorate that he would preserve the gains that have been made. He failed to do this. It can only be hoped that defeat will orient the opposition even further toward the center ground and a more consensual position. The danger is that Capriles will be jettisoned rather than nurtured. The next six years are unpredictable. Questions of consolidation and succession should trump new policy initiatives and ideological directions within the government but much will depend on the balance of power within the PSUV. Immediate issues that have to be addressed are the Dec. 16 gubernatorial elections, the overvaluation of the currency and ongoing problems of crime and insecurity. Six years provides an opportunity for deep-seated structural problems to be addressed, enabling the government to move away from ad hoc responses."

A Gustavo Roosen, member of the *Advisor* board and chairman of Envases Venezolanos in Caracas: "Chávez has a brilliant ability to communicate hope and make promises to the lower socioeconomic strata, which represent 65 percent of the population. He is able to transmit fear of losing their positions to public employees and to the beneficiaries of the existing social programs. He will continue to centralize power by deploying direct aid to socialist communes. Private enterprise will continue to be surrounded by restrictions, thus limiting its ability to perform. Chávez will continue to expropriate private property at his sole discretion to strengthen his socialist revolution. He will also attempt to enlarge and promote new social programs in order to dominate the will of the people. Additionally, he will negotiate new deals to increase the production of heavy crude oils and attempt to maintain his influence in the region. Most of Chávez's cabinet members have serious limitations. Inefficient managers of the basic industries (oil, power generation, iron ore, steel and aluminum) will be incapable of producing results. The complex foreign exchange regime, a growing fiscal deficit and an ever-increasing public debt will result in a macroeconomic crisis in the near future. With a voter turnout of more than 80 percent, the opposition gained 2 million votes while Chávez gained 300,000 from the 2006 election. The opposition must continue united toward the Dec. 16 regional elections."

A Dan Hellinger, professor of political science at Webster University in St. Louis: "To read the mainstream press, one would think that Chávez simply bought Sunday's election. Well, programs deliv-

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Featured Q&A

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ering housing, cheap food and health care indeed secured a lot of votes. However, Chávez's incumbency advantage was matched by the strong bias of private media for Capriles. Most voters trusted Chávez more to maintain social programs—but fewer than in earlier presidential elections. The opposition may feel demoralized, but if it remains united it can succeed in state elections scheduled for December—partly because it chose its candidates via primaries. If Capriles can rally Sunday's opposition voters for that contest, he can remain political viable. Regardless, Chávez faces two challenges: Preparing for a transition of leadership and strengthening democratic control over how the state spends its international oil income. Chávez wants communal councils to be democratic conduits for funds from the coffers of the national executive and state oil company, but it is hard to see that happening without democratic parties linking councils to social movements. The president lost an opportunity to strengthen democracy inside his own United Socialist Party of Venezuela (PSUV) when he failed to use a transparent, grassroots process for selecting candidates for the state elections and for municipal elections in April. The imperative for democratization of the PSUV is magnified by the likely competition among potential successors to Chávez, a list that includes moderates and radicals, former military officers and labor leaders, politicians with a popular touch and others supported by business sectors that have benefitted from patronage—the 'Bolibourgeoisie.' "

Beatrice Rangel, member of the *Advisor* board and director of AMLA Consulting in Miami Beach: "I believe the electoral outcome of Venezuela is auspicious. The country for the first time in more than a decade has an alternative leadership to that of President Chávez. This leadership has no ties whatsoever to the past and has honed its political skills under authoritarianism. Thus, the relative value that the Capriles-led generation gives to freedom is higher than that of preceding generations of democratic leaders. The strategy to merge opposition groups under a single electoral alliance will soon give rise to a unified political movement that can develop deep roots across the country.

> "President Chávez's victory, however fantastic in political terms, leads him directly into an economic nightmare."
>
> ***— Beatrice Rangel***

This platform will certainly be very effective to win new political spaces in the December mayoral and gubernatorial elections. The absence of a level playing field promoted innovative communications tactics and strategies within the opposition. The government's abusive use of the radio spectrum and flagrant violation of electoral laws and regulations triggered popular sympathies for Capriles, who played the David versus Goliath image very well. Finally, Capriles' highly mature and genteel demeanor following his defeat has shattered a behavioral pattern by which opposition forces cried fraud without presenting conclusive evidence to support their claims. But, above all, President Chávez's victory, however fantastic in political terms, leads him directly into an economic nightmare. Macroeconomic imbalances will soon negatively impact day-to-day living standards for all Venezuelans, but particularly for the poor. At that point he will have no one but himself to blame for the country's plight."

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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Erik Brand
General Manager, Publishing
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Rachel Sadon
Reporter, Assistant Editor
rsadon@thedialogue.org

Inter-American Dialogue

Michael Shifter, President
Peter Hakim, President Emeritus
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
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Subscription Inquiries are welcomed at freetrial@thedialogue.org

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