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FEATURED Q&A

What Issues Are Driving Paraguay's Presidential Race?

Q Millionaire Horacio Cartes won a Dec. 9 presidential primary in Paraguay to lead the conservative Colorado Party in its effort to retake the presidency. The party governed Paraguay for more than six decades until the election in 2008 of Fernando Lugo, who was impeached by Congress and removed from office last June. Cartes' main rival appears to be center-right Liberal Party candidate Efrain Alegre. What chance does Cartes have to return the Colorados to power? What issues are driving the race? To what extent is Lugo, who announced in November that he will run for Senate, affecting Paraguayan politics?

A Brian Turner, professor and chair of the Department of Political Science at Randolph-Macon College in Ashland, Va.: "Cartes' victory on Dec. 9 was followed by the Liberal Party's Dec. 16 anointment of Efraín Alegre. Alegre leads the Alianza Paraguay Alegre, which currently includes two small, center-left parties. The Colorados made much of the 45 percent turnout in a contested primary, which means that more than 800,000 voters participated, and about 500,000 voted for Cartes. Perhaps more significantly, Cartes' primary opponent, Javier Zacarías Irún, has committed himself to working for Cartes' victory in April, giving the Colorados a rare degree of unity going into the general election. The Liberals also turned out about 40 percent of their electorate in the primary, or 420,000 voters; this in spite of Alegre facing no serious competition at the top of the ticket. The general election will likely turn on the ability of the two major parties to attract unaffiliated voters. For the Colorados, that means getting votes from some the 379,000 who voted for Lino Oviedo in 2008. Oviedo needs to hold these voters to maintain some influence in Congress and in the judiciary, but there are signs that his appeal may be in decline. Alegre will need to attract voters from the left. Fernando

Continued on page 4

Some 80 Drug Cartels Operate in Mexico: Attorney General

Some 80 drug cartels currently operate in Mexico, the country's new attorney general, Jesús Murillo Karam, said Tuesday. Murillo said former President Felipe Calderón's strategy of capturing and killing cartel leaders led them to splinter. See story on page 2.

File Photo: Mexican Government.

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NEWS BRIEFS

Cayman Islands Parliament Ousts Premier

The parliament of the Cayman Islands on Tuesday passed a no-confidence vote against Premier McKeeva Bush, removing him from office, BBC News reported. The vote came as Bush become embroiled in a corruption investigation. He was briefly detained last week amid allegations that he misused a government credit card and improperly imported explosive devices. Bush has said he is the victim of a "witch hunt." The governing party may try to form a new government or the British-appointed governor may call early elections.

Gap to Expand Operations Into Brazil

Gap plans to expand into Brazil with its first standalone store there, Dow Jones reported Tuesday. The company currently has operations in five Latin American countries: Chile, Uruguay, Panama, Colombia and Mexico. "Given that Brazil is the fifth-largest country in the world and the largest Latin American economy, we feel that this market provides us with an incredible growth opportunity," said Stefan Laban, Gap's managing director of strategic alliances.

Bancolombia Buy 40 Percent Stake in Grupo Agromercantil

The Panamanian affiliate of **Bancolombia** has reached a deal to buy a 40 percent stake in **Grupo Agromercantil**, which owns several banking and financial institutions in Guatemala, Dow Jones reported Tuesday. The deal awaits regulatory approval in Colombia, Panama and Guatemala. In the medium-term, Bancolombia Panama plans to increase its share in the company to a controlling stake.

Political News

Chávez Contracts Respiratory Infection Following Surgery

Venezuelan President Hugo Chávez has contracted a respiratory infection a week after undergoing cancer surgery in Cuba, government officials announced Tuesday, the Associated Press reported. Chávez, 58, is in stable condition, but must have "complete rest" for the next few days, Information Minister Ernesto Villegas said in a televised statement. "It has been controlled," said Villegas. "In the doctors' opinion, this type of ailment is one of the complications that appear most often in patients who have undergone complicated surgeries." Government officials previously said that Chávez suffered complications after the six-hour surgery on Dec. 11, his fourth cancer surgery in a year and a half. Chávez has not spoken publicly since the surgery, which he underwent just days after urging Venezuelans to support his vice president, Nicolás Maduro, as his successor if his health forces him from office. Chávez's older brother, Adán, was planning to travel to Cuba on Tuesday to visit Chávez, government-run newspaper *Correo del Orinoco* reported. Chávez's parents may also travel to Cuba, the newspaper said in an unconfirmed report. Chávez's four children and a son-in-law have been with the president since his surgery. Other Latin American leaders have expressed concerns about Chávez's health. In a radio interview Tuesday, Colombian President Juan Manuel Santos said he was concerned about what could happen if Venezuela experienced a difficult transition of power. "What would be terrible is if that transition weren't easy, were problematic," said Santos, the AP reported. "That would generate problems in the region. That's why I've said that Chávez is a factor of stability at this time." Santos said that, despite their differences, he and Chávez have a good relationship. "I hope it stays that way, whether with Chávez or his replacement," said Santos, adding that he has spoken on several occasions with Maduro. Santos noted that he does not have details about Chávez's health. "I know that it's complicated," Santos said in the radio interview. "He wouldn't have said goodbye in that way if he didn't have complications, but today I don't know his exact state of health, and nobody does." Chávez won re-election in October and is scheduled to be sworn in for his new term on Jan. 10. If a Venezuelan president dies, steps down or is incapacitated, the country's constitution requires a special election within 30 days. National Assembly President Diosdado Cabello told reporters Tuesday that he would not speculate on whether Chávez would be able to be back in Venezuela in time for his inauguration. "There's a date established in the constitution, and our concern really is that the president recovers and is totally healthy, and, God willing, he will be," said Cabello.

Maduro

File Photo: Venezuelan Government.

Some 80 Drug Cartels Operate in Mexico: Attorney General

Approximately 80 small- and medium-sized drug cartels operate in Mexico, the country's attorney general said Tuesday, the Associated Press reported. The number of cartels is far higher than the previous government report on the country's cartels. In August, the administration of then-President Felipe Calderón said eight large cartels were at work in Mexico, though it added that at least one of them, the Beltrán Leyva drug gang, had splintered into smaller factions after government troops killed the cartel's leader. Attorney General Jesús Murillo Karam

> "It led to the seconds-in-command, generally the most violent, the most capable of killing ... starting to be empowered and generating their own groups."
>
> ***— Jesús Murillo Karam***

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said Tuesday that the government of President Enrique Peña Nieto, who took office on Dec. 1, is still working to identify all of the cartels. Officials of Peña Nieto's government have criticized Calderón's strategy of deploying the military to kill and capture the heads of drug gangs. Murillo continued that criticism on Tuesday, saying that the strategy caused cartels to splinter. "It led to the seconds-in-command, generally the most violent, the most capable of killing ... starting to be empowered and generating their own groups, generating another type of crime, spawning kidnapping, extortion and protection rackets," Murillo said. Before leaving office, Calderón repeatedly pointed out that Mexican forces had captured 25 of the country's 37 most-wanted drug lords. Peña Nieto and his interior secretary, Miguel Ángel Osorio Chong, have vowed to shift the strategy in order to focus more on reducing crimes including homicides, kidnappings and extortion against ordinary Mexicans. Also on Tuesday, Mexican officials announced that 17 people had been killed during an attempted jailbreak in Durango state, BBC News reported. Prisoners in the jail, located in the city of Gómez Palacio, attempted to escape through tunnels. Eleven inmates and six guards were killed in an ensuing shootout. The attempted jailbreak happened a day after Peña Nieto announced the creation of a new national police force as part of his efforts to reduce crime and violence. Human rights groups have said that Mexican prisons are chronically overcrowded and in dire need of an overhaul.

Economic News

Brazilian Central Bank Lowers Reserve Requirements

Brazil's central bank has lowered reserve requirements for local banks' short dollar positions as part of its efforts to bolster the country's currency, Bloomberg News reported Tuesday. Beginning Thursday, banks will be required to deposit the cash equivalent of 60 percent of their short positions in dollars for amounts higher than $3 billion. That is higher than the previous limit of $1 billion or amounts higher than the banks' capital base, the central bank said. The Brazilian real fell to a three-year low against the U.S. dollar on Nov. 30, leading the government to start relaxing capital controls that it had implemented over the past two years. As of Dec. 14, Brazilian banks' short dollar positions amounted to $3.65 billion,

Brazil's economy grew 0.6 percent in the third quarter, only half the pace economists had been expecting.

Tulio Maciel, the head of the central bank's economic research department, told Bloomberg News. In December 2010, Brazilian banks had short dollar positions of $16.8 billion before the government introduced new reserve requirements. Brazil's economy, the largest in Latin America, also grew at only half the pace economists had been expecting in the third quarter. In the quarter, the economy grew 0.6 percent, the national statistics agency announced Nov. 30.

Company News

Wal-Mart Continuing Probe Into Mexico Bribery Allegations

Wal-Mart Stores said Tuesday that it is continuing to conduct its internal probe into allegations that company executives bribed Mexican officials to speed the construction of stores, the Associated Press reported. The company's statement came after a new report in *The New York Times* said bribery was involved in connection with 19 stores in Mexico. One of those stores is near the pyramids of Teotihuacan outside Mexico City, the newspaper reported. **Wal-Mart de México** executives paid more than $200,000 in bribes to circumvent laws Mexican protecting archaeological sites in order to win approval for the store to be built in 2004. *The Times* first reported on the alleged bribery by Wal-Mart officials last April. Mexican President Enrique Peña Nieto has called for creating a new anti-corruption commission to replace the Public Administration Department, which critics have accused of lacking impartiality.

Peña Nieto

File Photo: Mexican Government.

Advisor Video

The Market for Money Transfers: Ranking of Remittance Service Providers in Latin America and the Caribbean

an Inter-American Dialogue event with

Manuel Orozco, director of the Dialogue's Remittances and Development Program

and commentary by

Daniel Ayala of Wells Fargo,
Paul Dwyer of Viamericas,
Mario Trujillo of Dolex Dollar Express
and Eugenio Nigro of Xoom Corporation

Click here to view a recording of the Dec. 14 webcast.

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Featured Q&A

Continued from page 1

Lugo's Frente Guazú (Grand Front) is badly divided, but it, or its separate factions, may hold enough votes to deny Lugo's erstwhile Liberal allies a presidential victory of their own. Lugo's removal last June will continue to be an issue that roils the electoral process and Paraguay's foreign relations. But mainly, the campaign will be about access to power."

Juan Francisco Facetti. partner at Paraguay Consulting Group Business Advisers in Asunción: "Horacio Cartes overwhelmingly won his bid to represent the Colorado Party. His opponent was a politician of vast experience. Despite this, Cartes won two-thirds of the votes. In the Colorados' primary election, nearly 900,000 people, close to 45 percent of registered voters, cast ballots. In comparison, in the primaries of the ruling Liberal Party (LP) and the Democratic Progressive Party (DPP), both running in coalition, only 450,000 people voted. Many political analysts believe that winning the presidential election in April will require 1 million votes. Therefore, the Colorado Party has a good chance of returning to power. During his campaign, Cartes stressed his concerns about poverty and public safety. Cartes as well as the LP and DPP candidates are campaigning based on proposals concerning job growth. Also, the debate about whether Paraguay will remain in Mercosur will be absent from the campaign due to the diplomatic consequences in the near future. Lugo's presence as a candidate for Senate will not negatively affect Paraguay's elections. On the contrary, Lugo's presence and constant activism demonstrates confidence in Paraguay's electoral system. However, internally within the Paraguayan left, Lugo provoked a division between two opposing factions after saying that the left had no consensus to present one candidate. This will lead to the left winning very few seats in Congress."

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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