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FEATURED Q&A

What Is at Stake in Honduras' Nov. 24 Presidential Election?

Q Honduras will hold its presidential election on Nov. 24 to determine who will succeed President Porfirio Lobo in January. In a race with eight declared candidates, who are the election's frontrunners, and what are the differences in their platforms? What issues are driving the campaigns? What challenges will the country's next president face? What is at stake in the local and legislative elections that are being held the same day?

A Enrique Rodríguez-Burchard, partner and director of the Honduras office of Aguilar Castillo Love and former Liberal Party member of the Honduran Congress: "After more than 120 years, the rule of two parties is at stake, the country could have its first female president, and multiple ideologies will be represented in Congress. Juan Hernández—the youngest of the four frontrunners seeking to replace President Lobo—is promising a modern state and to defeat the rampant criminality. As head of Congress, the candidate of the National Party has proven to be a leader that delivers under turbulent circumstances. But despite these attributes, Hernández is paying the price of diminished popularity of his pal Lobo. Targeting the establishment and blaming traditional politics, Salvador Nasrrala—a TV star—formed the Anti-Corruption Party and soon attracted young and educated voters. However, raising the flags of popular discontent hasn't proven to be enough; without a nationwide structure and political expertise, Nasrrala is facing obstacles. After returning from exile, former President Zelaya launched the Libre party with his wife Xiomara as the presidential candidate. Zelaya's offer is aggressive: to write a new constitution under the principles of 21st century socialism, Venezuela style. Promising land for campesinos and to double salaries in urban clusters, Xiomara has taken the lead according to recent polls. In a land where poverty and exclusion is a reality for the

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Venezuela's Annual Inflation Rate Reaches 49.4 Percent

Venezuela's annual rate of inflation reached 49.4 percent in September. The report Thursday from the central bank came days after President Nicolás Maduro asked the National Assembly to allow him to rule by decree for one year. See story on page 2.

File Photo: Venezolana de Televisión.

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NEWS BRIEFS

Peru's Central Bank Keeps Interest Rate Unchanged

The Peruvian central bank on Thursday kept the country's overnight rate at 4.25 percent for the 29th consecutive month, tying with Malaysia for the longest interest rate pause in a developing country, Bloomberg News reported. On Sept. 30, the bank cut reserve requirements for the third month in a row, and will continue to do so this year in order to stimulate growth, Mario Guerrero, an economist at **Scotiabank Perú** told Bloomberg.

Argentina Planning to Pay $500 Million in Sovereign Bonds

Argentina is prepared to pay $500 million in sovereign bonds to settle disputes brought by corporations to the World Bank's International Centre for Settlement of Investment Dispute, the financial daily *Ámbito Financiero* reported Thursday, according to MercoPress. Five companies—France's **Vivendi**, Britain's **National Grid**, and U.S.-based **Continental Casualty Company**, **Azurix** and **Blue Ridge Investment**—will receive compensation. Argentina's economy minister, Hernán Lorenzino, hopes doing so will help to unlock a $ 1.8 billion credit line from the World Bank and IMF.

Jaguar Land Rover Considering New Plant in Brazil

Jaguar Land Rover is planning to hire managers with experience in Brazil as it considers whether to build a plant in the South American country, *Automotive News Europe* reported Thursday. "We're looking at it very seriously. We're recruiting people with local knowledge to assess the potential for us," a spokesman for the vehicle manufacturer told the publication.

Political News

Thirteen Inmates Killed in Brazil Prison Fight

A fight between rival gang members in a Brazilian prison has left 13 inmates dead and at least 30 injured, BBC News reported Thursday. Guards at the Pedrinhas prison in São Luis, in the state of Maranhão, said the fighting broke out after they found that 60 inmates were digging a tunnel in order to escape, said Alusio Mendes, the security secretary for Maranhão. "When the guards tried to access the cell in which the entrance to the tunnel was located, the prisoners tried to fight them off," said Mendes. Prisoners started a fire in the prison, and gang members took advantage of the commotion to attack rivals, according to officials. Prison officials said that guards had regained control of the prison on Thursday and were searching it for weapons. Family members of inmates gathered outside the prison, demanding information from officials and throwing rocks at guards. The relatives also set fire to several buses outside the prison, according to local media. In another incident of violence earlier this month at the same prison, three inmates were killed; one of them was decapitated. Another inmate was electrocuted when he became entangled in cables that had been used to provide lighting to an escape tunnel. Last year, Brazil's justice minister, José Eduardo Cardozo, said Brazil has "a medieval prison system, which not only violates human rights [but] does not allow for the most important element of a penal sanction, which is social reintegration." Brazilian officials have said that while they have been building new prisons, they have been unable to keep up with an increasing number of inmates.

Brazil's prison system is a "medieval" one that violates human rights, Brazil's justice minister said last year.

Economic News

Venezuela's Annual Inflation Rate Hits 49.4 Percent

The annual rate of inflation in Venezuela reached 49.4 percent in September, skyrocketing from 18 percent a year ago, and basic goods are becoming more difficult to find, the central bank said Thursday, *The Miami Herald* reported. The Andean country's soaring inflation is the highest in the Western Hemisphere and among the 112 economies tracked by Bloomberg News. In September alone, increases in the prices of agricultural goods, transportation, education and electricity led to a 4.4 percent increase in inflation, according to the government, the *Herald* reported. The central bank also said Thursday that the country's "scarcity index," which tracks the availability of basic goods, reached 21.2 percent in September as compared to 13.6 percent in September of last year. Excluding auto parts, sunflower oil and corn oil, the scarcity index last month would have been 15.3 percent. President Nicolás Maduro has blamed Venezuela's rising prices and shortages on speculation, hoarding and an "economic war," which he has said his political opponents are waging. However, opponents have said the economic policies of Maduro and his predecessor, the late Hugo Chávez, are responsible for the country's economic problems. Maduro's government boosted the minimum wage by 10 percent in September and by 20 percent in May. The minimum wage will go up by another 10 percent next month. Earlier this week, Maduro asked lawmakers for the power to rule by decree for one year, saying the move is necessary to fight corruption and improve the economy. However, Henrique Capriles, who was defeated by Maduro in April's presidential election, urged the National Assembly to prevent Maduro from gaining more power.

Capriles

File Photo: venezuelasomostodos.com.

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"Decree powers are not going to help bring down inflation, or raise salaries, or guarantee that hospitals are stocked," Capriles said Thursday. "It's just a smokescreen to keep us dizzy."

Brazilian Banks, Unions Begin New Round of Negotiations Amid Strike

Brazilian banks and labor unions began a new round of negotiations Thursday as a nationwide bank employee strike stretched into its fourth week, *The Wall Street Journal* reported. Bank employees' strikes have become an annual occurrence in Brazil. During a nine-day strike last year, employees demanded a 10.25 percent wage increase, but eventually settled with banks on a 7.5 percent hike. Soaring levels of lending in past years have fueled Brazilian banks' profits. However, banks have now seen three years of weak growth, and profits have fallen from record levels. Lending has slowed, and defaults have risen. On Oct. 4, the Brazilian Federation of Banks, which represents banks in talks with unions, proposed a 7.1 percent wage increase for employees. However, workers rejected that increase, holding to their demand for an increase of 11.93 percent. Inflation in Brazil is approximately 6 percent a year, leading unions to say that the offer by the federation, known as Febraban, represents only a meager increase. "Our expectation is that the banks will present a higher salary hike proposal," Carlos Cordeiro, president of the National Confederation of Financial Sector Employees, or Contraf-Cut, told *The Wall Street Journal* before the new round of negotiations got underway. Febraban declined the newspaper's request for comment. Salaries for bank employees amount to about 30 percent of banks' costs. The average monthly salary for a Brazilian bank worker is 4,400 reais (about $2,000). That is above the average salary in Brazil, which is approximately 1,848 reais a month.

Cordeiro

File Photo: Contraf-cut.

Featured Q&A

Continued from page 1

average citizen, this position has many followers. Mauricio Villeda's supporters claim he is the only candidate poised to restore decency in the government. Appealing to the legacy of his father, former president Villeda Morales, Mauricio is trying to convince the electorate that the Liberal Party is the only reliable alternative to run the country, to preserve public institutions and the rule of law. He must rush to persuade independents and discontent members of other parties if he wants to secure a victory in November. Whoever wins the upcoming election will face a skyrocketing debt plus the same old problems: crime, corruption and poverty."

A Donald J. Planty, president of Planty & Associates LLC and former U.S. ambassador to Guatemala: "The Nov. 24 elections will shape the future of Honduras for some time to come. The two leading candidates, Xiomara Castro de Zelaya of the Libre Party and Juan Orlando Hernández of the National Party, are running neck and neck, and indications are that the winning margin will be razor thin. Castro has proposed a new constitution to reshape the country. Such action would be banned under the existing Constitution, raising fears that she will quickly polarize the country if elected and take Honduras down the path espoused by her husband, former President Mel Zelaya. If so, this could bring Honduras to the brink of another political crisis à la 2009. Hernández is less controversial, but has proved to be a lackluster candidate with few ideas other than depending on a 'mano dura' strategy to improve flagging security. Considering the stakes, the U.S. government has been strangely passive during the campaign. The United States is not fielding an election observer delegation but instead is relying on a local non-governmental organization to monitor the polls. Given the closeness of the race and the potential for violence if there is no clear-cut outcome, this approach seems at odds with U.S. interests. A greater threat to U.S. interests, however, would be the emergence of a government manipulated in the shadows by Mel Zelaya, stressing already weak institutions with a bankrupt Chávez-like 21st century socialist agenda that would also undermine the Central American Regional Security Initiative, which is so important to the region and to the United States."

A Fernando Menéndez, economist and principal of the Cordoba Group International LLC: "Honduras' upcoming elections have wide-ranging consequences for the region. At issue is whether Honduras takes a path of economic and political development consistent with liberal and democratic values, or takes the road of 21st century socialism, the model espoused by the late Hugo Chávez and his ALBA followers, with its polarized societies, restricted individual and civil liberties and squandered opportunities for economic prosperity. Xiomara Castro de Zelaya, the left's candidate, promises to put Honduras back in the ALBA column her husband intended before his contentious removal from office. ALBA-style regimes, fueled by the resentment of the poor and marginalized, begin by subverting existing democratic institutions and end by making people increasingly dependent on the government for their livelihood. Similarly, they provide cover to both state and non-state actors (for example, Iran, Hezbollah and drug cartels) that are hostile to regional security and stability. The opposition, divided by traditional bickering, seems to be taking this as just another election. Given Honduras' first-past-the-post electoral system, Castro can win with less than 50 percent of the vote, unless the opposition unites to defeat her. She will then call a constituent assembly to consolidate power in the executive, remove checks on state intervention, purge the military and otherwise rig an undemocratic system by

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Featured Q&A

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seemingly democratic means. If there's any doubt what is at stake, just look at Xiomara's main backers throughout the region: Venezuela, Cuba, Bolivia, Ecuador and Nicaragua. Each is a nail in the coffin of pluralistic democracy."

Rosemary A. Joyce, professor of anthropology at the University of California, Berkeley: "All polls consistently have shown Xiomara Castro and Juan Orlando Hernández as the leading candidates for president in Honduras. Hernández is a classic Partido Nacional candidate: running on promises to improve security and seeking to follow the example of Porfirio Lobo Sosa in moving from head of Congress to head of the executive branch. The new militarized police is one of his signature achievements. He has not been able to say much about the economic distress Honduras is in, since his party controls both Congress and the presidency. He supported the libertarian model cities initiative of Lobo, promoted as an economic development initiative. Xiomara Castro contrasts vividly, as the candidate of Libre, formed out of the resistance to the 2009 coup and its aftermath. Honduran media has caricatured Castro as a front for her husband, former President Manuel Zelaya. However, this ignores her actual prominence in the resistance in 2009. Libre has a platform that begins with a call for a constitutional convention and includes a promise to send the military back to their barracks and stress community policing.

> "The next president will face intractable economic issues, likely without a clear mandate."
>
> — *Rosemary A. Joyce*

Libre campaigning has emphasized a wider range of issues than has the Partido Nacional, including community development, indigenous and women's rights issues and stronger cultural policy. Regardless of who is declared the winner, the next president will face intractable economic issues, likely without a clear mandate. He or she will be challenged to reverse the erosion of the Honduran economy."

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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