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FEATURED Q&A

What Is Driving Chile's Presidential Race in its Final Stretch?

Q Former President Michelle Bachelet has a huge lead ahead of Chile's Nov. 17 presidential election and could win a first-round victory, according to a poll released Tuesday by CEP. Her rivals, Evelyn Matthei and Franco Parisi, did appear to have gained ground and would force a runoff in December if Bachelet fails to garner more than 50 percent in the first round, according to an Ipsos poll released Oct. 7. What issues are driving the campaign in its final stretch? How likely is Bachelet to win a first-round victory? How will voluntary voting, rather than compulsory presidential election voting as in the past, affect the election?

A Guillermo Holzmann, professor at the University of Valparaíso, Chile and CEO of Analytyka Consulting: "For this presidential election, the number of eligible voters in Chile expands from 8.5 million to 13.5 million due to the reform that established automatic registration and voluntary voting. There are nine presidential candidates and a statistically high likelihood of a runoff. This also shows the fragmentation of the country's political parties. Nevertheless, Bachelet is hoping for a first-round victory. The main problem, however, is predicting the effects of having 5 million new voters on the rolls. This can mean anything from a significant increase in participation to a high rate of abstention. We also can't rule out citizens casting 'punishment votes' against Bachelet, Matthei and the political parties that support them. That would generate a dispersion of votes that's impossible to predict. Bachelet has an electoral advantage, which was illustrated both by the primary and polls, and is why focus is on the candidate who will be on the ballot with her in the Dec. 15 runoff. Her strategy has two parts. The first is to capitalize on her electoral advantage by ignoring the other candidates, concentrating on her campaign and avoiding debates with her rivals. The second is focusing her

Continued on page 3

Jiménez Becomes Third Peruvian Prime Minister to Quit

Peruvian Prime Minister Juan Jiménez announced his resignation Tuesday, becoming the third prime minister to step down from President Ollanta Humala's government in two years. His resignation comes as the government has seen its popularity wane. See story on page 2.

File Photo: Peruvian Government.

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NEWS BRIEFS

Record-Equaling 188 Countries Condemn U.S. Embargo of Cuba

In an annual vote Tuesday at the United Nations General Assembly, 188 countries condemned the U.S. embargo of Cuba, Agence France-Presse reported. The number of countries that cast votes condemning the five-decade embargo equaled a record. Only one country—Israel—sided with the United States, the smallest number ever. Micronesia, Marshall Islands and Palau abstained.

China Construction Bank Nearing Deal to Acquire Brazil's BicBanco

China Construction Bank is getting close to a deal to acquire Brazil's **Banco Industrial & Comercial**, Bloomberg News reported Tuesday, citing a person familiar with the matter. The Brazilian bank, known as BicBanco, is likely to fetch more than its market value of 1.67 billion reais ($764 million) said the source, who requested anonymity because of the private nature of the talks. The Chinese bank would buy the 70 percent of BicBanco held by controlling shareholders and submit a tender offer for the remainder.

India Launches Chamber of Commerce in Peru

Indian Vice President Hamid Ansari on Monday launched INCHAM, the Indian Chamber of Commerce, in Peru, which will provide services and assistance to Indian companies interested in entering Peru and neighboring countries and increasing trade with Latin America, *The Hindu* reported. Trade between India and Peru has grown sevenfold over the past five years, and the opening of INCHAM comes as a Bilateral Investment Promotion and Protection Agreement is in the process of being finalized.

Political News

Argentine Supreme Court Upholds Controversial Media Law

Argentina's Supreme Court on Tuesday upheld a controversial law that will require the country's largest media group, **Grupo Clarín**, to divest some of its units, Reuters reported. Backers of President Cristina Fernández's government say the law is an effort to lower concentration in the media, but opponents see it as a government attempt to muzzle criticism and freedom of speech. The court's decision to uphold the law represents a major victory for Fernández just days after her party suffered a setback in Sunday's mid-term legislative elections. The court ruled that four of the law's clauses were constitutional. "A law that set limits a priori is legitimate because it favors freedom of speech by limiting market concentration," said the court's ruling. Clarín had argued that Article 161, the law's most controversial clause, was unconstitutional because it forced companies to sell radio and television stations as well as cable television operating licenses that had been previously acquired. The law has been tied up in the court system since the government put it in place in 2009. Clarín has had tense relations with Fernández's government since it criticized the government's handling of protests by farmers in 2008. Opponents of the law see it as an attempt to punish the company, which owns the country's largest newspaper, its main cable television operator and its most popular television and radio stations. "Grupo Clarín laments the ruling, which doesn't take into account the value of journalistic independence as a precursor for freedom of speech, and as such seriously questions the real possibility of criticizing political power, an indispensable democratic assumption," the media conglomerate said in a statement following the Supreme Court's ruling. However, AFSCA, the government agency that is charged with ensuring that companies follow the law, called the ruling a step forward for democracy. "The ruling closes a phase of uncertainty and starts a very important period for the country and for democracy in terms of media," said the agency's head, Martín Sabbatella. "The obstacles put in place by a business conglomerate that refused to abide by the law have been cleared away." However, the court's ruling also said, "It is of vital importance that the authority that applies [the law] be a technical and independent organ, protected from undue government or lobby interference." That could raise questions about Sabbatella's close political ties with Fernández and the extent to which the government is fairly applying the law. Clarín said Tuesday that it is considering other legal options, such as bringing the case to international courts.

Fernández

File Photo: Argentine Government.

Peruvian Prime Minister Quits as Government's Popularity Falls

Peruvian Prime Minister Juan Jiménez announced his resignation Tuesday amid growing concerns about security in the Andean nation and falling public support for the government of President Ollanta Humala, *The Wall Street Journal* reported. César Villanueva, the current president of Peru's northern San Martín region, will replace Jiménez, becoming the fourth prime minister to serve during Humala's two-year-old administration. "The transition that we are going to have with César Villanueva will be great," Jiménez said in a televised interview. "We are going to continue to work and my collaboration with the government will continue." Humala's approval rating fell to 24 percent, according to a poll released last weekend by **GfK**. In the poll, 77 percent of respondents said

Humala's approval rating has fallen to 24 percent.

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crime is the country's largest problem, and that the government is not doing enough to fight it.

Company News

Default Looms as OGX Fails to Reach Agreement With Bondholders

OGX Petróleo e Gás Participações failed Tuesday to reach an agreement with holders of $3.6 billion of dollar-denominated bonds, moving the company closer to what would be Latin America's largest-ever corporate default, Bloomberg News reported. OGX, one of Brazilian businessman Eike Batista's struggling companies, said in a statement Tuesday that talks with holders of bonds due in 2018 and 2022 failed to result in a debt restructuring agreement, though the Rio de Janeiro-based company said it is still considering its options. **Standard and Poor's** assigned a default rating to $1 billion of OGX's bonds when the company missed a $45 million payment on Oct. 1. OGX is quickly running out of cash and at the end of September had $82 million on hand, which is expected to last until the last week of December. The company said in a presentation on Oct. 23 that it needs $250 million to maintain operations through April. OGX has already begun missing payments to suppliers, who had $546 million in outstanding claims at the end of September, and said in early October that "payments are only made to critical vendors who currently perform services at the Martelo field to get first oil production up and running." OGX is considering filing for bankruptcy in late October or early November, sources told Bloomberg earlier this month. After having its bankruptcy approved by a judge, the company would have 60 days to present a restructuring plan, though by declaring bankruptcy, the company risks losing its 30 oil and natural gas licenses.

Batista

File Photo: Brazilian Government.

Featured Q&A

Continued from page 1

message on the most politically expedient topics, such as education, public security, pension system reform, health, education, energy, constitutional reform and finding common ground with political parties that make up her coalition, which range from the Communist Party to the Christian Democrats. Overall, in the next three weeks, candidates' campaigns will focus on providing an alternative to Bachelet, and for that, polarization is a valid tactic. In particular, if Matthei fails to make it to the second round, the fragmentation of the center-right will prove to be a complication for the new government and will be a signal of uncertainty for the country's governability."

A Fernando Rosenblatt, assistant professor at the School of Political Science at Universidad Diego Portales in Chile: "The upcoming presidential election in Chile has a clear frontrunner, Michelle Bachelet; at least this is what 70 percent of Chileans answer when asked who is going to be the next president. The question remains if she will garner enough support to win in the first round. The institution of voluntary voting makes it very difficult to predict the result. The large number of presidential candidates also complicates any predictions. Nine candidates, the greatest since 1989, are contesting the election, though only two seem to be potential competitors in an eventual runoff against Bachelet: Evelyn Matthei and Franco Parisi. Parisi is a new version of the rightist, populist outsider. Matthei emerged as the candidate of the center-right Alianza coalition only a few months ago, after a succession of problems within the bloc. Regardless of the interest aroused by the presidential race, an increasing dealignment and an erosion of citizens' attachment to established political organizations is a worrisome trend. It is paradoxical, though, that this is happening in a context of economic success. Parties' inability to keep their militants and voters active and to reinvigorate their structure and leadership might explain this. Chilean society is reacting, and several independents and newcomers are trying to capture citizens' interest. The right is also experiencing a process of transformation: a 'new right' is trying to emerge, pushed by a new generation unconstrained by the authoritarian past—and explicitly distancing itself from it. Also, the rightist UDI, which has the greatest number of deputies and senators of all Chilean parties, will have to prove its resilience in the near future. The change in the binominal electoral system, which will occur sooner or later, will test the party's real power. Finally, Bachelet's presence is giving a new opportunity to the center-left Concertación. However, if a strong new generation and new ideas do not emerge, the coalition that changed Chile and governed for 20 years, from 1990 to 2010, risks atomization."

> "If a strong new generation and new ideas do not emerge, the coalition that changed Chile and governed for 20 years, from 1990 to 2010, risks atomization."
>
> *— Fernando Rosenblatt*

A Patricio Navia, master teacher of global studies at New York University: "There is much less uncertainty about who will be the next president of Chile than about how difficult it will be for Michelle Bachelet to win the next election. With an overwhelming lead in polls, Bachelet is a shoo-in to succeed Sebastián Piñera as Chile's president. She will be the first former president to win re-election in Chile since 1952. Her victory will also bring the center-left coalition back to power after four years of a right-wing government. With her victory, the Concertación will win its fifth of the six presidential elections held since democ-

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Featured Q&A

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racy was restored. The election can be seen as a referendum on Piñera's government. After raising expectations as a candidate, Piñera led a successful government, but less stellar than he had originally promised. The economy grew, unemployment declined and progress was evident everywhere. But Piñera had also promised to reduce inequality, combat crime (low by regional standards, but on the rise) and expand opportunities to all. People perceive that Piñera did not fulfill his promises. Chileans are now ready to put Bachelet and the Concertación back in power. However, there are conflicting views as to what Bachelet will do in her second term. There is a state-friendly wing and a market-friendly wing in her coalition. The state-friendly wing wants to broaden the reach and scope of the public sector in several dimensions, for example, by creating a state-run pension fund company to compete with existing private companies. The market-friendly wing wants to strengthen the regulatory power of the state to help markets function more efficiently, reduce market asymmetries and level the playing field. In her first term (2006-2010), Bachelet was more decisively market-friendly. However, she has been more state-friendly in the campaign this time around. Bachelet will not adopt radical reform when she assumes the presidency in March, but she will lean more heavily toward either the market-friendly or state-friendly wing of her coalition. That is the only uncertainty surrounding the Nov. 17 election. Unfortunately, we will not have an answer as to what Bachelet will do until after she returns to office."

> "The election can be seen as a referendum on Piñera's government."
>
> — *Patricio Navia*

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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