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FEATURED Q&A

How Is Uruguay's Presidential Race Shaping Up?

Q Uruguayans voted June 1 in presidential primaries setting up an October electoral race between former President Tabaré Vázquez of the ruling Broad Front Coalition, Pedro Bordaberry of the Colorado party, and Luis Lacalle Pou, a son of former President Luis Alberto Lacalle, as the National Party candidate. What themes were important in the primaries, and what campaign issues will each of the candidates focus on going forward? Would any of the three candidates move Uruguay in a significantly different direction from its trajectory today? Who is best positioned to win the October election?

A Dexter Boniface, director of Latin American and Caribbean Studies and associate professor of political science and Weddell Chair of the Americas at Rollins College: "The big surprise in Uruguay's primaries was the victory of Luis Lacalle Pou over his National Party rival Jorge Larrañaga. Although the two National Party candidates differed on a number of issues (notably the legalization of marijuana), Lacalle Pou's youth (age 41) and positive message won over many voters hopeful he could defeat the elder Tabaré Vázquez (age 74) in October. Going forward, Vázquez is likely to emphasize the generally positive economic accomplishments of the past 10 years of Broad Front rule while promising new investments in infrastructure and education. The National Party is expected to make citizen security a central issue. For example, the party has campaigned vigorously to lower the age of criminal responsibility from 18 to 16 in order to combat juvenile delinquency. The election is likely to boil down to a choice between Vázquez on the center-left and Lacalle Pou on the center-right. Bordaberry, a staunch social conservative, is a longshot to win the race. Vázquez is the clear favorite. He enjoyed high approval ratings when he stepped down in 2010 and holds a strong lead over his rivals in recent polls. However, if

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Bachelet Suggests Pacific Alliance Reach Out to Mercosur

Chilean President Michelle Bachelet on Friday suggested that foreign ministers from the Pacific Alliance should meet with Mercosur country counterparts by September to form a working agreement aimed at developing stronger ties between the two blocs. See story on page 2.

Photo: Government of Mexico.

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NEWS BRIEFS

PDVSA Net Income Improves Despite Falling Production

Net income at Venezuelan state oil company **PDVSA** rose more than three-fold last year thanks to lower spending on social programs, reduced costs after a major currency devaluation and the sale of some assets, Bloomberg News reported Friday. Profit in 2013 rose to $15.8 billion from just $4.3 billion in 2012, according to company data. Spending on social projects declined to $13 billion from $17.3 billion in 2012. The company continues to face challenges, however. PDVSA's production has fallen 10.6 percent in the last 5 years, while oil exports have fallen 16 percent in that period, *El Universal* reported today.

Scotiabank Spends $280 Million for Chilean Credit Card Firm

Canada's **Bank of Nova Scotia**, or Scotiabank, will buy the credit-card and consumer-loan operations of Chilean retail company **Cencosud** for $280 million, Bloomberg News reported Saturday. Under the deal, which would make Scotiabank Latin America's third-largest card operator, the Canadian company will purchase 51 percent of Cencosud's operations and take over its entire loan portfolio, as well as injecting $1.2 billion into the unit.

Venezuelan Court Bars Opposition Leader from Leaving the Country

A Venezuelan court has barred opposition leader María Corina Machado from leaving the country, the Associated Press reported Friday. Venezuela's government has accused Machado, who has been stripped of her legislative assembly seat, of plotting with the United States to oust Venezuelan President Nicolás Maduro. Machado has denied the allegations.

Political News

Brazil's Workers Party Confirms Rousseff for Re-Election in October

Brazil's Workers Party on Saturday formally ratified President Dilma Rousseff as its candidate for re-election on Oct. 5, the Associated Press reported. At the party's convention in Brasília, Rousseff said she would lead the country to a "new development cycle and increase investments to improve social, educational and health services," according to the report. Sitting Vice President Michel Temer will again share the ticket with Rousseff. Despite rising inflation, slower growth and dogged corruption scandals in her term in office, a poll released last week shows that Rousseff is maintaining her lead over her rivals ahead of the elections, *The Wall Street Journal* reported Thursday. The survey, conducted by the **Ibope** polling institute, showed that Rousseff had the support of 39 percent of respondents, up slightly from 38 percent in a poll published earlier in June. Aécio Neves of the Brazilian Social Democracy Party had the backing of 21 percent of voters in the latest poll, down from 22 percent. Eduardo Campos of the Brazilian Socialist Party saw his support decline to 10 percent from 13 percent. [Editor's note: See Q&A on Rousseff's popularity ahead of the elections in the May 16 issue of the *Advisor*.]

Economic News

Bachelet Suggests Pacific Alliance Reach Out to Mercosur by Sept.

Chilean President Michelle Bachelet on Friday suggested that foreign ministers from the Pacific Alliance should meet with Mercosur country counterparts by September to form a working agreement aimed at developing stronger ties between the two blocs, Reuters reported. Speaking at the official start of the latest Pacific Alliance summit in the western Mexican coastal state of Nayarit alongside Mexican President Enrique Peña Nieto, Colombian President Juan Manuel Santos and Peruvian President Ollanta Humala, Bachelet said that "beyond legitimate differences, it is perfectly possible to achieve levels of convergence among the countries of the Pacific Alliance and Mercosur, between the Atlantic and the Pacific—it is

Featured Q&A

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Vázquez fails to obtain a majority in October, a runoff between Vázquez and Lacalle Pou could prove to be competitive. Neither of the leading candidates (least of all Vázquez) is likely to move Uruguay in a significantly different direction, though a victory for Lacalle Pou might result in a modest shift to the right as occurred in Chile under Sebastián Piñera."

Daniel Buquet, professor and researcher in the Institute of Political Science at the Universidad de la República in Uruguay: "The primary election campaigns were centered on the issues of education and public security. These are the questions that the public considers the country's most important problems. As a consequence, both issues will continue to be the central focus of debate in the upcoming general election campaigns. Additionally, even though there appears to be a consensus in economic policy, the question of tax policy will be a minor issue in the electoral process as well. In general terms, the governing party favors more centralized and state-centered policies in education, direct taxation policies and an approach to public security as a social problem. On the contrary, the opposition proposes a more liberalized and decentralized education system, has a preference for indirect taxation (VAT) and a repressive view on public security. The main reforms that opposition candidates put forward

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not only possible, it is also necessary." Bachelet has said her foreign policy will seek to overcome left-right ideological differences in the region that have characterized the Mercosur and Pacific Alliance blocs in recent years. Also at the summit, leaders declared that Mexico's stock exchange will join its Pacific Alliance partners' exchanges by the end of 2014 through the Latin American Integrated Market, or MILA, Reuters reported. MILA was formed in 2011 to make trading more efficient and boost market liquidity within the Pacific Alliance. [See related Q&A in the Feb. 25 issue of the *Advisor*.]

Peruvian Police, U.S. Secret Service Crack Down on Lima Counterfeiters

Police in Lima on Friday arrested a Peruvian on charges of printing millions of dollars in counterfeit U.S. currency, Bloomberg News reported. Pedro Sosa Inca Casana, 42, was getting out of a taxi with about $1.93 million in fake bills when apprehended, local police said in a statement. The operation, which was carried out with the support of the United States Secret Service, seized a total of $4.5 million, a printing press, ink cartridges and other printing materials at a downtown Lima store that served as a front for the counterfeiting operation. The Secret Service has seized $16.3 million in Peru

The Secret Service last year seized $16.3 million in Peru and assisted in the arrests of 19 Peruvians.

and assisted in the arrests of 19 Peruvian citizens during the fiscal year ending Sept. 30, according to Bloomberg News. Last month, the Secret Service said in a press release that Peruvian police arrested three people in the act of printing U.S. counterfeit currency. During a pre-dawn raid, officials seized a commercial grade off-set printing press, twenty six printing plates bearing counterfeit images of U.S. currency, 50 negatives bearing images of U.S. currency and $1.85 million in uncut sheets of counterfeit $100 U.S. Federal Reserve Notes. Peruvian National Police charged Martín Fernando Gómez Vilcanaupa, Joel Adolfo Portillo Quintana, and Godofredo Eduardo Vidal Valladares under Peruvian Criminal Code for manufacturing, distributing and possessing counterfeit currency.

Job Postings

Editor's note: Readers of the Advisor *and others occasionally ask us to pass along job announcements. We are pleased to share the recent Latin America-related listings below.*

Wood Mackenzie: Energy Risk Analyst, Latin America, Houston, Tex.

Ocean Spray: Business Development Manager, Latin America, Miami, Fla.

Morgan Stanley: Equity Research Associate, Latin America, New York, N.Y.

Wyndham Worldwide: Director of Public Relations for Latin America, New Jersey

Shell: Team Leader, Latin America Studies Exploration, Houston, Tex.

The Coca-Cola Company: Controller, Caracas, Venezuela

Edelman: Vice President, U.S. Hispanic Outreach, Washington, D.C.

Inter-American Dialogue: Communications Manager, Washington, D.C.

Fitch Downgrades Guatemala Ratings Further Into Junk Territory

New York-based **Fitch Ratings** on Friday downgraded Guatemala's long-term credit ratings further into junk territory, to 'BB' from 'BB+', *The Wall Street Journal* reported. In a press release, Fitch said Guatemala has "not been able to make sufficient progress to materially enhance its growth prospects, widen its revenue base and improve its fiscal flexibility." The Central American nation has the narrowest revenue base in the 'BB' category, Fitch noted. A tax reform originally intended to raise 1 percent of GDP in extra revenue last year "had a muted impact on tax collection" due to deductions, administrative hurdles at customs and court rulings against tax compliance. Guatemala's five-year average growth of 2.8 percent lags behind the median growth of 3.7 percent that Fitch rated other 'BB' countries in 2013. On the positive side, economic activity could accelerate depending on the U.S. recovery and on the pace of execution of a pipeline of $7.6 billion in public-private infrastructure projects in 2014-2019, which equates to 14 percent of GDP. The outlook could improve with sustained improvements in tax collection and a better budget process resulting in greater fiscal policy flexibility, Fitch said. In a meeting with U.S. Vice President Joe Biden in Guatemala City on Friday, President Otto Pérez Molina asked the United States to start a temporary work program for Guatemalan migrants and grant them "temporary protected status," the Associated Press reported. Biden said the Obama administration pledged $93 million in new programs to reduce violence in Central America, which includes $40 million to reduce gang membership in Guatemala, $25 million to build 77 youth outreach centers in El Salvador and $18.5 million to build 77 youth outreach centers in Honduras, according to the report. More than 20,000 unaccompanied children from Guatemala, Honduras and El Salvador were detained at the U.S. border last year, double the previous year's figure. The United States has been trying to discourage the widespread belief that children and families will be allowed to stay in the U.S. if they are caught by the Border Patrol.

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Featured Q&A

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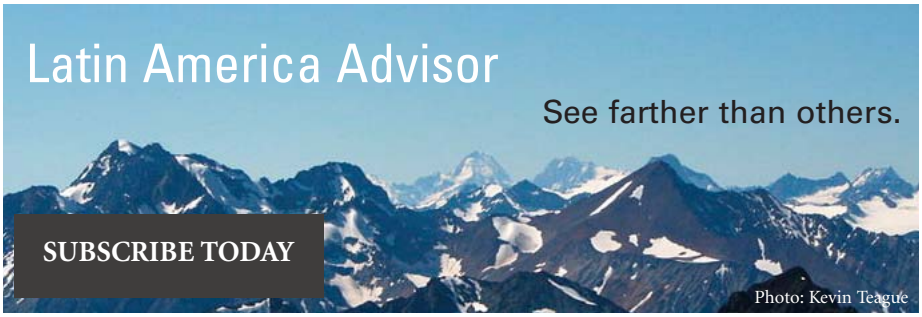
are the reduction of the age of legal responsibility for minors, more autonomy and diversity of education centers and the elimination of the personal income tax. In general terms, if the opposition wins the election, no major changes will be made, but a more market-oriented view will be in force, and gradual changes with that orientation will be seen in different policy areas. But so far, the government's approval ratings are positive, its candidate, Tabaré Vázquez, is the most popular politician in the country, and, consistently, he is leading in election polls, not too far from the majority required to win in a second round."

Julio Burdman, president of the Observatorio Electoral Latinoamericano in Argentina: "Tabaré Vázquez looks like the front-runner in all the polls. However, the possibility that the opposition could win in a second round if Vázquez does not prevail in the first round should not be ruled out. The Colorado and Blanco parties compete, but they have achieved important coordination against the Frente Amplio—in Montevideo they have even formed one party—and can beat the ruling party if it shows divisions. For that reason, although Vázquez has more centrist economic and foreign policy ideas than Mujica, he will have to court the left wing of the governing coalition to win his second election, and then to govern. A second Vázquez term could be more progressive than the first. His vice president would surely come from the MPP—the sector that Mujica leads. The two Frente Amplio administrations have followed moderate policies in many areas but harbored a tension between the centrists, referenced in Vice President Astori, supporters of maintaining orthodox economic policies, and the progressives who were fighting for more distribution and social policies. Vázquez will have to unite both sectors and respond to the demands of both, which will not be easy. In foreign policy, Vázquez was a strong supporter during his first presidency of an extra-regional agreement with the United States, and the big question is if he would again promote that project in a second term. I think that Vázquez will not have too much room to maneuver, because his second term will depend more on Mujica, Topolansky and the MPP than the first, and because he will encounter a more reactive regional block against this proposal. If the opposition wins, then there would certainly be a change in foreign policy."

> "A second Vázquez term could be more progressive than the first."
>
> — *Julio Burdman*

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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