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FEATURED Q&A

What Issues Are Driving Argentina's Presidential Race?

Q Argentines will go to the polls in October to select a new president and members of Congress. In early April, a poll by consulting firm Poliarquía had Daniel Scioli of the ruling Front for Victory party leading the race with 33.4 percent of the vote, while Mauricio Macri of the Republican Proposal (PRO) party had 27.3 percent and Sergio Massa of the Renewal Front trailed with 20.1 percent. What issues are driving the race? What is at stake in the race in terms of foreign investment in Argentina and the government's battle with so-called "holdout" bondholders? What influence is outgoing President Cristina Fernández de Kirchner having on the election?

A Eduardo Amadeo, former member of Argentina's Congress and former Argentine ambassador to the United States: "The race is about continuity versus change. The Kirchner family has been in power for more than 11 years, with a populist style of government that combines an increase in consumption and low investment; state intervention; as well as low respect for the Constitution and basic institutions of democracy. The commodities boom has helped them to sustain the economy, but that support is over and there is a clear fatigue for the violations of democratic institutions. The question is whether this fatigue will be enough to defeat the political base that the Kirchners have built over these years. Foreign investment in Argentina is at a historically low level, and this critically affects the short- and medium-term rates of growth. Argentina needs dollars and foreign investment, which it cannot obtain at a reasonable level unless its situation with bondholders is resolved and its position toward basic institutions and macroeconomic stability are clarified. The solution of the difficult bondholders issue can only be reached as part of a larger strategy of making Argentina more reliable to the world. Mrs. Kirchner has 30 per-

Continued on page 3

Castro Thanks Pope Francis for Help With U.S. Thaw

Cuban President Raúl Castro met Sunday for nearly an hour with Pope Francis in Vatican City, where he thanked the pontiff for assisting Cuba's thaw with the United States, Reuters reported. The Vatican said the meeting was a personal visit, not a state one. See page 2.

Photo: Agencia Cubana de Noticias.

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NEWS BRIEFS

Guatemala's Vice President Resigns Over Corruption Scandal

Guatemala's vice president, Roxana Baldetti, resigned her post on Friday over a corruption scandal, *The New York Times* reported. At the request of the attorney general, a judge ordered her on Saturday not to leave the country. President Otto Pérez Molina is expected to submit to Congress this week the names of three candidates to replace her; lawmakers will then choose one.

Voters in Guyana Head to Polls for National Elections

Voters in Guyana head to the polls today for hotly contested national elections, the *Miami Herald* reported. The governing People's Progressive Party Civic (PPP/C), in power for 23 years, is locked in a racially charged, close contest with an opposition coalition consisting of a predominately Afro-Guyanese group, A Partnership for National Unity, and the multiracial Alliance For Change party.

Colombia to Halt Use of Glyphosate to Kill Coca Plants

Colombian President Juan Manuel Santos announced Saturday that his government will end the use of the herbicide glyphosate, whose use to destroy coca plants has been a main part of U.S.-backed anti-drug programs in South America, BBC News reported. Santos' announcement follows a decision by the World Health Organization to classify the herbicide, developed by U.S.-based **Monsanto** in the 1970s, as a carcinogen. Santos said during an event in Bogotá that using the product to kill coca, which is used to produce cocaine, has to be replaced with other mechanisms, such as manual eradication of the plants, the Associated Press reported.

Political News

Raúl Castro Thanks Pope for Brokering Thaw With U.S.

Cuban President Raúl Castro met Sunday for nearly an hour with Pope Francis in Vatican City, where he thanked the pontiff for assisting Cuba's thaw with the United States, Reuters reported. After the meeting, which the Vatican said was a personal visit, not a state one, Castro said he was so impressed with the Argentine pope that he might return to Catholicism despite his being a communist. Castro's audience with the pope came four months before Francis is due to visit the Caribbean island nation. "When the pope comes to Cuba in September, I promise to go to all his Masses, and I will be happy to do so," Castro told reporters after the meeting, saying that he reads all of Pope Francis' speeches, Reuters reported. Castro also said that during the meeting he was "really impressed by his wisdom and his modesty." In his news conference, at which he appeared alongside Italian Prime Minister Matteo Renzi, Castro said the pontiff might convince him to return to the faith into which he and his brother Fidel were baptized. "I told the prime minister if the pope continues to talk as he does, sooner or later I will start praying again and return to the Catholic Church, and I am not kidding," said Castro. After the Cuban Revolution in 1959, the government suppressed the Catholic Church's activities, but started to relax restrictions in the 1990s. Fidel Castro reinstituted Christmas as a holiday after Pope John Paul II visited Cuba in 1998. The September visit will be Francis' first as pope. His predecessor, Benedict XVI, also visited the country. After visiting Cuba, Pope Francis will then head to the United States, with stops in Washington, New York and Philadelphia. While in the United States, the Catholic Church's leader is expected to address a joint session of Congress and also speak at the United Nations.

> "If the pope continues to talk as he does, sooner or later I will start praying again and return to the Catholic Church, and I am not kidding."
>
> — ***Raúl Castro***

Venezuela to Hold Legislative Elections in Fourth Quarter

Venezuela's government will hold legislative elections toward the end of this year, the leader of the country's National Electoral Council announced Sunday, Reuters reported. "We can say that in the last quarter of this year we'll have the elections. We're going to announce it very soon," Tibisay Lucena told the Televen television channel in an interview. On Friday, National Electoral Council official Luis Emilio Rondón said that the balloting would be held either in late November or early December. The announcements came just after Brazilian Foreign Minister Mauro Vieira met last week with Venezuelan officials and urged them to set a date for the balloting. Opposition leaders in the Andean country have expressed concerns that the delay in announcing a date for the vote may mean that elections might not be held. "Where are they getting this idea that we won't have elections? From the start of this year, we've said that this is an electoral year," Lucena said Sunday, adding that they delay was due to the electoral commission being busy with organizing primaries. President Nicolás Maduro's United Socialist Party of Venezuela, which controls the country's National Assembly, is to hold its primary on June 28, and the opposition Democratic Unity Roundtable is to choose its candidates next Sunday. Recent polls show that the opposition could win control of the National Assembly, Reuters reported. Severe economic problems,

Maduro

File Photo: Venezuelan Government.

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including the world's highest rate of inflation and shortages of basic staple goods such as milk and flour, have led to a drop in Maduro's popularity. [Editor's note: See Q&A about Venezuela in Friday's *Advisor*.]

Company News

Peruvian Troops Deployed to Deadly Tía María Mine Protests

Peruvian Defense Minister Jakke Valakivi on Saturday deployed more than 2,000 members of the armed forces to support local police trying to keep order near the Tía María copper mine in the province of Islay, *El Comercio* reported. The troops will not be patrolling the streets, Valakivi noted, rather guarding strategic installations essentíal to public services such as roads and bridges. Last week, a policeman and protester were killed during protests over the mine, prompting President Ollanta Humala to convene cabinet ministers over the weekend to address the conflict. The company undertaking the project, **Grupo Mexico**'s **Southern Copper**, has said the mine will be compliant with the highest environmental standards, but local residents in the southern Arequipa region have opposed the mining project for years, saying the $1.4 billion project would pollute sources of water for local agriculture. Three people have died since protests began in March, BBC News reported. A recent **IPSOS** poll found 51 percent of Arequipa residents are in favor of the Tía María project moving forward, *El Comercio* reported, with 42 percent of the survey group expressing opposition to the project. Forty-three percented said they believe that the protesters are being "manipulated politically," while 42 percent said they believe that the protesters are legitimately protecting their interests. Southern Copper, which in March threatened to pull out of the project altogether, said the mine would produce 120,000 tons of copper cathodes a year, for an estimated 20-year lifespan, and that it could be running by 2017, *The Wall Street Journal* reported.

Manuel Pulgar-Vidal, Peru's environment minister, has said he "guarantees" Southern Copper will comply with rules.

File Photo: Andina.

Featured Q&A

Continued from page 1

cent of citizens who would vote for her today, which is pretty high. However, since Argentina has a two-round electoral process and 60 percent of Argentines have a negative view of her, it is very likely that her favored candidate will be defeated in the second round."

Juan Cruz Diaz, managing director of Cefeidas Group in Buenos Aires: "Continuity and change are the main drivers of the presidential race. While Daniel Scioli is promising more continuity and some change in certain areas, Mauricio Macri is promoting a more clear change, and Sergio Massa is struggling to place himself somewhere in the middle of that tension. The truth is that most polls are showing that President Fernández de Kirchner is sustaining acceptable levels of approval, and she is still an influential factor in this year's electoral process. While she wasn't able to promote a candidate who truly reflects the continuity of the Kirchners' legacy, the president's support (or at least avoiding her explicit opposition) has become crucial for Governor Scioli if he wants to win. Scioli needs to find the right balance between continuity and change. The first step is to win the primaries in August and lock in the support of the more traditional

> "Scioli needs to find the right balance between continuity and change."
>
> — *Juan Cruz Diaz*

Continued on page 4

Economic News

Chile: Inflation Rises in April; Cabinet Changes Expected Today

Chile's central bank on Friday said inflation rose twice as fast as expected in April, Reuters reported. Price increases for transportation, health, food and non-alcoholic beverages fueled a 0.6 percent gain in consumer prices last month, bringing inflation in the 12 months to April to 4.1 percent, above the central bank's 4 percent target ceiling for the period. Meanwhile, the bank said last week that Chile's economy grew more than analysts expected in March as expansion in the services industry offset a contraction in manufacturing, Bloomberg News reported. The Imacec index, a proxy for gross domestic product, rose 1.6 percent from a year earlier. Economists expect economic growth to accelerate to 2.9 percent overall this year, nearly two percentage points ahead of the regional average forecasted for economic expansion in South America overall. The rate of increase came as a surprise, as economists expected devastating floods in the north of the country to have restrained growth. In related news, President Michelle Bachelet plans to announce a reshuffling of her cabinet today in a bid to restore her popularity in the wake of corruption scandals and influence peddling allegations involving her son. Last week Bachelet asked her entire cabinet to resign. The economic team had been led by Finance Minister Alberto Arenas, whose relationship with the business community has been strained following an unpopular tax reform, according to Reuters.

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Featured Q&A

Continued from page 3

Front for Victory (FPV) elements by highlighting the continuity aspects of his candidacy. After the primaries, he could move towards the center and start emphasizing the 'change' elements of his candidacy in order to expand his base of support. Mayor Macri's support has been growing in the polls amid his adoption of a clear stance toward the need for a change in most of the current policies and practices. His national and local alliances with the Radical Civic Union (UCR) have strengthened his chances, and Macri's campaign wants to represent the only alternative for change. After a promising start in 2013, Massa's candidacy is facing several challenges. Developing a national structure in a short period of time is not easy, and he suffered a series of defeats against Macri and lost some allies who returned to the FPV. In any case, the next government will need to develop a clearer environment for foreign investment and find some kind of solution to the holdouts dispute. The three candidates understand that. The big question is the pace and the strategies selected to address those issues. But we will see that in the first hundred days of the next administration, not during the campaign."

> "Fernández's rhetoric against powerful interests, including the holdouts, still remains attractive to a third of Argentines."
>
> — *Graciela Römer*

Graciela Römer, director of Graciela Römer & Asociados in Buenos Aires: "The current political scenario seems to involve polarization between Daniel Scioli and Buenos Aires Mayor Mauricio Macri. Sergio Massa embodies a third force that has swung between first and last place in voters' preference since his Renewal Front slate managed to win the 2013 legislative election in Buenos Aires province, defeating the candidate of the ruling Front for Victory alliance. Inflation, job loss and crime are the main problems facing the country. These are followed by corruption, which has grown in the past two years. Beyond these issues, a third of Argentines want continuity and support the political and economic positions of Cristina Fernández de Kirchner's government. Two-thirds of Argentines want change—a change of management style as well as less control and state interference in the economy. What is interesting is that all three principal candidates in the polls (Scioli, Macri and Massa) have similar profiles in these issues. Economists who advise the three candidates agree that Argentina needs to increase its level of investment to encourage growth of the economy (which has struggled for more than two years). In this sense, overcoming the conflict with the holdout bondholders is the key. They also agree on issues such as having a more open economy, with fewer restrictions on foreign trade and improved competitiveness. Fernández's influence is important within her own party in terms of the selection of pre-candidates, especially for Congress. However, there are strong negative views about her. Her aim is to maintain a presence in the political system. So it is likely that she or her son Máximo could lead the slate of Front for Victory candidates for Congress. Fernández's rhetoric against powerful interests, including the holdouts, still remains attractive to a third of Argentines."

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.*

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