

In Latin America, it's the left vs. the left

THE OPPENHEIMER REPORT

MIAMI HERALD
MAY. 07, 2006

Contrary to the conventional wisdom that there is a leftist tsunami against U.S.-style capitalism in Latin America, there is a very different kind of clash spreading in the region -- one pitting the left vs. the left.

Consider the latest headlines from the region:

- Last week, Bolivia's leftist President Evo Morales nationalized his country's natural-gas industry, sending troops to occupy 56 foreign-owned gas company grounds. The move, which most likely will soon leave Bolivia without investments to bring its gas to the surface, was applauded by Morales' followers, but antagonized three left-of-center governments that are key to Bolivia's future: Brazil, Argentina and Spain.

It so happens that Brazil's state-owned Petrobras oil company -- which has invested \$1.5 billion in Bolivia during the past decade and is by far the biggest foreign investor in the country -- and the Spanish-Argentine Repsol-YPF are the biggest victims of Morales' measure. Brazil depends on Bolivian gas for 60 percent of its total gas imports, which has created a political uproar in Brazil that could affect President Luiz Inácio Lula da Silva in the October presidential elections.

- Earlier in the week, Venezuela's leftist President Hugo Chávez had called Peru's left-of-center presidential candidate Alan García a "scoundrel," a "corrupt thief" and a "bandit," and threatened to withdraw his ambassador from Peru if García wins the June 4 runoff election against leftist nationalist Ollanta Humala, who has been publicly backed by Chávez.

HARSH WORDS

García, who had earlier lashed out against Chávez for criticizing Peru's free-trade agreement with Washington, said Chávez speaks under the influence of "too much rum," and said that his rival for the Peruvian presidency is a Chávez "pupil." Humala, in turn, is now trying to take from the Venezuelan president, who ended up withdrawing his ambassador from Peru, anyway.

- Meantime, Argentina's left-of-center government filed a lawsuit Thursday against leftist-ruled Uruguay at the International Court of Justice in The Hague over two paper mills under construction on the Uruguayan side of the border. Argentina says the \$1.8 billion paper mills are environmentally unsafe. Uruguay, whose first-ever leftist president looked like a natural ally of Argentina until recently, denies the charge, and cites World Bank reports stating that the project is safe.
- Uruguay's President Tabaré Vázquez told reporters in Washington that the South American "Mercosur" common market -- the bloc led by Brazil and Argentina that opposes a free trade deal with the United States under current conditions -- "is not good" for Uruguay. He hinted that Uruguay may soon leave the bloc to sign a free trade deal or seek new trade preferences with the United States.

TIP OF ICEBERG?

And these squabbles may be just the beginning. Bolivia's new pro-coca cultivation policy is likely to result in a flood of cocaine shipments to Brazil, the world's second-largest cocaine-consuming country. This will further infuriate Brazil, whose president will find it increasingly difficult to pretend maintaining good relations with his Bolivian counterpart. And socialist-ruled Chile's escalating arms purchases are likely to trigger strong reactions from whichever of the two left-of-center candidates wins Peru's upcoming elections.

NATIONAL INTERESTS

My conclusion: Next time you hear about the "leftist wave" in Latin America, take it with a grain of salt. What you have in the region is an assortment of different countries, each pursuing their national interests -- like it has always been, and like it will always be.

POSTSCRIPT: Here's the biggest irony of Chávez's periodic tirades against Peru, Colombia and other countries for seeking free trade deals with the United States: Venezuela's own trade with the United States is booming like never before. According to the latest U.S. Commerce Department figures, Venezuelan exports to the United States soared from \$15.2 billion in 2001 to \$34 billion in 2005. And it wasn't just oil: Venezuela's sales of iron, steel and vehicles to the U.S. market rose in the past four years.

Likewise, Venezuela's imports from the United States grew from \$5.6 billion to \$6.4 billion over the same period, led by purchases of machinery, vehicles, eyeglasses and cereals. Which means that Chávez may be preaching anti-imperialism to others, but he's happily stepping up trade with the ``U.S. empire."