Last month, US retail giant Wal-Mart, which already operates in Mexico, Brazil, Argentina and Central America, confirmed its takeover of Chile’s largest grocer D&S. Is the move a good deal for Wal-Mart and for D&S? Will other large US companies make plays for Latin American retail firms in the midst of the current economic downturn? What other companies in the retail sector are ripe for takeover?

**Q**

**A**

**Guest Comment**: Chris Tilly: “Wal-Mart’s acquisition of D&S builds on the expansion strategy that has served it best. Wal-Mart has excelled in large countries or ones adjacent to a significant Wal-Mart presence (like that in Argentina and Brazil), where it can deploy its expertise in running far-flung distribution networks. It has also done well when able to acquire a market leader like Chile’s D&S. Wal-Mart’s sensationally successful purchase of Cifra in Mexico illustrates both principles. For D&S, becoming part of a global giant with deep pockets should boost its advantage in the competitive Chilean market. However, D&S workers will not be pleased with Wal-Mart’s combative attitude toward unions (though Wal-Mart does work with unions in Argentina and Brazil). And local suppliers may end up bruised by the company’s bare-knuckled exploitation of global buying power. Likely to join Wal-Mart in a Latin American land rush are not other US retailers—few other than Wal-Mart have a significant international presence—but rather, France-based global giants Carrefour and Casino, both of which already hold significant stakes in Argentina and Brazil. Carrefour pulled out of Chile after achieving limited growth, but Chile’s number two retailer, Cencosud, is likely to seek out an international partner, creating a new opening for the French transnationals. We may also see moves into other countries in the region: retail analysts have described both Colombia and Venezuela as ‘understored.’”

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**News Briefs**

**Venezuela’s Chavez Celebrates 10 Years in Power**

Several Latin American leaders joined Venezuelan President Hugo Chavez in Caracas Monday to mark the 10th anniversary of his taking office. Chavez and members of his Bolivarian Alternative for the Peoples of the Americas (ALBA) marked the anniversary by walking through Caracas’ National Pantheon, CNN reported. The presidents of Bolivia, Nicaragua, and Honduras were present, along with Cuban First Vice President Jose Ramon Machado Ventura and Roosevelt Skerrit, the prime minister of Dominica.

**Official: Assault on Peru Attorney General was Assassination Try**

A top Peruvian official said Monday an attack by gunmen last weekend on the country's attorney general was an assassination attempt, not a robbery as authorities previously suggested, reported the Associated Press. Last Saturday, two gunmen fired upon Attorney General Gladys Echaiz, who is investigating the petroaudios scandal involving state Petroperú and an illegal wiretapping ring. No one was hurt in Saturday's attack.

**McDermott Wins Platform Installation Deal with Pemex**

US-based construction and engineering firm McDermott International said Monday that its unit J. Ray McDermott won a contract from Mexican state oil company Pemex to transport and install two drilling platforms in the Bay of Campeche. McDermott estimated the value of the contract at more than $40 million and said the two drilling platforms would be installed by the third quarter of 2009.

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**Political News**

**FARC’s Handover of Former Colombian Governor Delayed**

The freeing of former Colombian Governor Alan Jara, who has been held by rebels of the Revolutionary Armed Forces of Colombia (FARC) has been delayed, the Associated Press reported Monday. Jara was scheduled to be released Monday to the International Red Cross. However, the international organization said it postponed the mission after a dispute arose involving Colombian military flights that were said to have interfered with Sunday’s release of four other FARC hostages who ultimately were released. "Everything is being done so that a trip can be made as soon as possible," said Red Cross spokesman Yves Heller, adding weather could play a role in the timing. Colombian opposition Senator Piedad Cordoba, who is part of the mission to release the hostages, said the mission would leave today. The Red Cross did not specify why it was postponing the mission, but it did not want to comment on reasons but are still serving their prison terms. At least a dozen of the 205 currently imprisoned for political reasons as of Friday, the independent rights group said. The number is down from 234 approximately a year ago. A decade of the 205 current prisoners were released for medical reasons but are still serving their prison terms.

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**Featured Q&A**

Continued from page 1

**Guest Comment: Kevin Gardner**

"This transaction will bring additional investment to Chile, not only in upgraded and new stores, but in associate and supplier development. Chile already is a growing global source for seafood, fruits and vegetables, and this transaction will give Chile's suppliers access to Wal-Mart's global network of stores. The new partnership with Wal-Mart will enhance D&S' ability to grow in Chile, improve the efficiency of its operations and offer more value and savings to customers. Both Wal-Mart and D&S share the same principles, values and the philosophy of respect for the individual, service to our customers, striving for excellence and saving people money so they can live better. We wouldn't be able to comment on the..."
sentences and can be sent back to prison if they violate the terms of their parole. When Raul Castro unofficially took over from his brother Fidel in July 2006, the island had 316 political prisoners, the commission said. "It is true that in 2008, as well as in the previous two years, the government has stopped applying long prison terms as it did in 2003," said Elizardo Sanchez, the commission’s leader, in the twice-yearly report, referring to a government crackdown that led to the imprisonment of 75 people. However, the number of temporary detentions has soared under Raul Castro. More than 1,500 were recorded last year, the organization said.

**Economic News**

**Citigroup: Latin American Stocks Could Soar 40 Percent This Year**

Stocks in Latin America could soar as much as 40 percent this year on the possibility of the US recession ending by mid-year, Citigroup said, according to Bloomberg News. Even though the global economy may contract 0.7 percent, Latin America could see 1.3 percent growth, said strategist Geoffrey Dennis in a note, adding that stock valuations in the region are "very attractive" and that aversion to risk has started to decrease. "We expect the regional trading range to hold for 2-3 more months as further poor macro news is digested, before a major upside breakout occurs, generating dollar returns of 40 percent by end-2009," Dennis said in the note.

**Company News**

**Petrobras Discusses Financing With Countries Including US and China**

Brazilian state oil company Petrobras is in discussions with governments including the United States and China to help pay for a $174 billion five-year spending plan, the Financial Times reported Monday. Petrobras recently discovered the largest oil deposits to be found in Latin America in three decades and has increased spending to develop the offshore deposits. The company has lined up nearly all the financing necessary for this year’s spending, Petrobras president Sergio Gabrielli told the newspaper, adding that the company will likely be able to finance $120 billion from its cash flow. "It’s going to be tough, it’s going to be challenging, but it is not impossible," Gabrielli said. "We have had several talks with different countries, not only China, even the US. We think this is going to be an important source of financing for us." Gabrielli said that in the US he has discussed financing with the Export-Import Bank and the Overseas Private Investment Corporation. The United Arab Emirates is also believed to have expressed interest.

**Subscriber Notice**

Organization of American States Lecture on

The Challenges of Globalization and the New Role of Universities in the Hemisphere

with

**Rafael Rangel Sostmann**
Rector, Instituto Tecnológico y de Estudios Superiores de Monterrey

**Michael M. Crow**
President, Arizona State University

**Raúl Bao García**
President, Universidad San Martín de Porres

and moderated by

**Andrés Oppenheimer**
Syndicated Columnist, *The Miami Herald*

**Wednesday, February 4, 2009**
3:00 p.m.
Organization of American States
Hall of the Americas
17th Street & Constitution Ave., NW
Washington, DC

To register, visit at www.oas.org/lecture or email SER-DIA@oas.org
what other companies are doing, but the
successful tender offer for D&S is evidence
that even in this difficult economic envi-
ronment, Wal-Mart remains com-
mitted to its international growth strate-
gy. Wal-Mart International will continue
to have a faster growth rate than the
United States for the foreseeable future.
Its growth will be concentrated in well-
established markets, which deliver consist-
tently strong returns, as well as in emerging
markets with strong growth potential.
Unit growth will cover a wide range of
formats, from small discount stores to
Supercenters, which are designed to meet
local market needs. Our priorities are to
concentrate on the markets where we
already have operations, and to look for
growth opportunities in markets like
Chile, where customers want to see us and
where it makes sense for our long-
term growth. Chile's size and political
and economic stability make it an impor-
tant growth market for Wal-Mart. This
investment reflects our confidence in
Chile's business climate and potential for
economic growth."

**Guest Comment: Carlos Hernández:** "Wal-Mart has
acquired a majority stake in
D&S, finally achieving its entry
into the Chilean market. The deal gives
D&S access to Wal-Mart's buying power,
logistics and systems know-how and private
label expertise, thus better position-
ing it to compete in the mature Chilean
market. Also, it presents synergies for
both D&S and Wal-Mart in terms of simi-
lar low-price strategies and strong finan-
cial services, exemplified for D&S in the
importance of the Presto card, which
processes more than 20 percent of the
company's sales. Lastly, the stake that
D&S holds in Mayorsa gives the
American retailer a foothold in the
Peruvian market, which is bound to
depen this year with the planned launch
of the aCuenta supermarket banner in
Lima. That said, the main prize for Wal-
Mart was always the chance of a signifi-
cant presence in the Chilean market.

Furthermore, the fit in terms of store for-
mats, culture and financial services is
substantial. Thus, the attraction of the
Lider hypermarket concept is significant
as it dovetails nicely with Wal-Mart's flag-
ship Supercenter brand. Furthermore,
D&S' other concepts sit very well along-
side Wal-Mart's existing Latin American
portfolio. Notably, the recently estab-
lished Ekono discount stores and
SuperBodega aCuenta chain are very well
aligned to Wal-Mart's increasing focus on
no-frills stores targeted at lower income
shoppers. After Chile, the remaining sig-
nificant gaps in Wal-Mart's Latin
American market portfolio are Colombia
and Venezuela. While market entry in
Venezuela remains unlikely given the cur-
rent US-Venezuela strained relations,
once D&S is acquired and fully integrat-
ed, retailers and vendors in Colombia
should begin preparing for the likelihood
that Wal-Mart’s tanks will soon be
appearing on their lawns. In fact, the
Colombian player Olimpica could be a
more than probable partner for Wal-
Mart's next Latin American move."

**Chris Tilly** is Director of the Institute for
Research on Labor and Employment and
Professor of Urban Planning at the
University of California, Los Angeles.

**Kevin Gardner** is Director of International
Corporate Affairs at Wal-Mart.

**Carlos Hernández** is a Retail Analyst at
Planet Retail.

**"The fit in terms of store formats, culture and financial services is substantial."**

— Carlos Hernández