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FEATURED Q&A

What Does the Mexico State Vote Mean for the PRI?



PRI candidate Alfredo del Mazo was narrowly elected the State of Mexico's governor last week. // File Photo: Del Mazo Campaign.

Q Alfredo del Mazo, the candidate of President Enrique Peña Nieto's Institutional Revolutionary Party, or PRI, appeared to eke out a narrow victory in the June 4 election for governor of the State of Mexico. The contest in Mexico's most populous state was seen as a crucial test ahead of next year's presidential election in Mexico. Provided that election authorities uphold the result following any possible recount, what do the results mean for the PRI and for the losing Morena party, headed by presidential hopeful Andrés Manuel López Obrador? Why was the result so close in the state, a traditional stronghold for the PRI? To what extent was the vote a referendum on the presidency of Peña Nieto, who previously served as the state's governor and is del Mazo's cousin?

A Andrés Rozental, member of the Advisor board, president of Rozental & Asociados in Mexico City and senior policy advisor at Chatham House: "The PRI apparently won the State of Mexico by 2.9 percent over the Morena candidate (López Obrador's party). The ruling party's victory in Coahuila was by a larger margin, but in both cases the opposition has claimed electoral fraud and insists on either annulling the election or recounting more ballots than has been the case so far. Although the PRI probably eked out a win in the State of Mexico, I don't consider it necessarily a harbinger of the party's chances in the 2018 presidential contest. López Obrador, through his choice to run in the state election, managed to pull a large percentage of votes away from the PRI, which has governed there uninterrupted for decades. Compared to how the PRI fared six years ago, its margin was

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TODAY'S NEWS

ECONOMIC

Chile's Piñera Eyes \$7.5 Bn Plan for Infrastructure

Ex-Chilean President Sebastián Piñera, who is seeking to retake his former office, proposed a transportation infrastructure overhaul that would replace the capital's Transantiago plan.

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POLITICAL

Martinelli Appears in Court in Miami

A U.S. federal judge denied former Panamanian President Ricardo Martinelli's request for release. He is wanted in Panama on charges of corruption and illegal wiretapping.

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POLITICAL

Former Rio State Governor Gets 14 Years

Sérgio Cabral, the former governor of Brazil's Rio de Janeiro State, was sentenced to 14 years and two months in prison for corruption and money laundering related to the massive graft scheme at state-run oil company Petrobras.

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Cabral // File Photo: Brazilian Government.

POLITICAL NEWS

Former Rio State Governor Sentenced to 14 Years in Prison

Sérgio Cabral, a former governor of Brazil's Rio de Janeiro State, on Tuesday was sentenced to 14 years and two months in prison for his role in the massive corruption scheme involving state-run oil company Petrobras, the Los Angeles Times reported. Cabral was convicted of corruption and 12 counts of money laundering in connection with the scandal. Cabral was in office as the state's governor for two terms, from 2007 to 2014. Judge Sérgio Moro found Cabral guilty of receiving approximately 2.7 million reais (\$816,450) in bribes and laundering a portion of the proceeds, The Wall Street Journal reported. The kickbacks had been skimmed from an inflated construction contract for a refinery that had been built for Petrobras. An attorney for Cabral said the former governor is planning to file an appeal, but he did not say on what grounds. In addition to the Petrobras investigation, Cabral is also under investigation on corruption allegations related to Rio's health care system, infrastructure projects and public works projects ahead of the 2014 World Cup and the 2016 Summer Olympics. In total, he is accused of diverting more than \$100 million from the state, laundering some of the money, depositing some in offshore bank accounts and buying luxury goods such as diamonds. In addition to the prison sentence, Moro ordered Cabral to pay a fine of \$203,000, the Los Angeles Times reported. The judge, however, acquitted Cabral's wife, Adriana Ancelmo, of related charges.

CORRECTION

A headline in the Today's News box on page 1 of Tuesday's Advisor incorrectly said that Venezuela's Supreme Court rejected a bid for a rewrite of the country's Constitution. The headline should have read that the court rejected a bid to halt a rewrite of the Constitution.

ECONOMIC NEWS

Chile's Piñera Proposes \$7.5 Billion Infrastructure Plan

Former Chilean President Sebastián Piñera, the front runner to retake the office in the country's November election, on Tuesday proposed a \$7.5 billion transportation infrastructure plan, Reuters reported. If elected, Piñera said his government would replace the Transantiago plan, which was initiated 10 years ago. That plan has received hundreds of millions of dollars in investment, but is unpopular because of perceived inefficiencies, the wire service reported. "After 10 years, Transantiago didn't complete its mission or its promise," Piñera said in a televised campaign event. Piñera's plan, known as "Third Millennium," would include the construction of 84 miles of rail in Santiago, including three new subway lines and the extension of an existing line to the capital's airport. The plan would be funded by public funds and concessions to private companies. It would also replace the city's bus system and include the construction of surface trains.

BUSINESS NEWS

Grupo México's Peru Smelting Capacity May Double

Grupo México, Mexico's largest mining company and the third-largest copper miner in the world, could see its metals smelting capacity double in Peru thanks to the loosening of environmental regulations, Peruvian President Pedro Pablo Kuczynski said Tuesday, Reuters reported. Peru approved new air and water quality standards last week that are less strict than they had been previously, as part of Kuczynski's bid to attract investment in the country's mining and metal processing sectors. "The environmental standards were unrealistic

NEWS BRIEFS

Earthquake Causes Damage to Homes, Landslides in Guatemala

A magnitude 6.9 earthquake in western Guatemala caused moderate damage to some homes and triggered landslides that crossed highways and injured at least one person early Wednesday, the Associated Press reported. One man was injured in San Sebastián Retalhuleu in southern Guatemala after part of a church collapsed. The quake was centered five miles southwest of Tajumulco and was about 69 miles below the surface, according to the U.S. Geological Survey.

U.S. Federal Judge Denies Martinelli's Request for Release

Former Panamanian President Ricardo Martinelli, who on Monday was detained in Florida and whom Panama is seeking to extradite as part of investigations into corruption and illegal wiretapping while in office, on Tuesday unsuccessfully sought to be released from custody, the Associated Press reported. Martinelli made his first appearance before a federal judge in Miami following his arrest Monday. U.S. Magistrate Judge Edwin Torres denied his request for release and set a bond hearing for June 20.

Argentina's Central Bank Leaves Key Interest Rate Unchanged

Argentina's central bank on Tuesday left its benchmark interest rate unchanged at 26.25 percent, Reuters reported. Policymakers' decision marked the fourth consecutive time that they left the key rate steady. The rise in inflation slowed in May, but the central bank said expectations for inflation for this year and next year remained above its targets. Consumer prices rose 1.3 percent last month, but that increase was lower than expected and was half the 2.6 percent increase in April.

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extremely tight. Evidently, the vote there was in many ways a referendum on the current Peña Nieto and PRI administration, in which the president has an all-time low approval rating of just 19 percent. However, this particular election was a must-win for the PRI and Peña Nieto, given that he was governor of the State of Mexico before becoming Mexico's president, and an opposition victory would have been a huge personal embarrassment for him, and even a threat to his party, if Morena had won and begun to delve into past PRI governorships looking for corruption or other issues to publicize. Mexico's democracy is still flawed when so many claims of campaign violations and electoral fraud are made by the losing candidates. I contrast this with last week's election in the United Kingdom where not a single complaint was filed and the transition between incumbent members of Parliament who lost and those who took over was perfectly smooth."

A Rogelio Ramírez de la O, president of Ecanal in Mexico City: "In the big picture, the PRI maintained the crucial governorship of the State of Mexico, and this cleared away a cloud of uncertainty. Yet, in a detailed analysis, which counts for medium-term risk, the government might have won by losing much of the goodwill of the presidency and the electoral institutions. If this loss materializes in coming weeks, the cost of maintaining the State of Mexico would have been higher than the benefit. Materializing such a loss would mean that the torrent of evidence of vote rigging and unlawful government interference in this election continued for weeks, with public opinion witnessing the lack of response of the electoral institutions. This would take away credibility for the new PRI governor, the federal government and the institutions that are supposed to apply electoral laws. The State of Mexico's experience may prove to have been too much for public opinion to swallow without

protest or entirely losing confidence in the elections. It is already plain to see that the federal government can deploy senior cabinet members to carry out illegal electoral-oriented tasks in key states. Also visible is the inconsistency between a PRI candidate, elected with 34 percent of the votes, with such close a bond to the president, when the latter has a 70 percent disapproval rating and a PRI incumbent governor with about 60 percent disapproval. The election does

“ Mexican political risk has risen.”

— Rogelio Ramírez de la O

not seem to have been a referendum on the current presidential regime, as opposition votes dispersed themselves among three parties, instead of grouping around a single opposition. All the same, Mexican political risk has risen."

A Duncan Wood, director of the Mexico Institute at the Woodrow Wilson International Center for Scholars: "The drop in the PRI's share of the popular vote in the State of Mexico, from 64 percent in 2011 to only 33 percent in 2017, is a worrying trend for the party. Del Mazo was a strong candidate, coming from the party's blue bloods, and received the full backing of the federal government. By some counts, there were more than 100 visits to the state during the campaign period by federal cabinet ministers. That del Mazo beat out the Morena candidate, Delfina Gómez, by only 2 percentage points, highlights how strong AMLO's party has become in the Mexican political heartland, and Morena must be taken seriously as a contender for next year's general elections for the presidency, Congress and state-level

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for smelters and processing plants, and with the new standards, Grupo México is thinking of doubling its smelting in Peru," Kuczynski said. Grupo México owns Southern Copper, which



Kuczynski // File Photo: Peruvian Government.

operates the Toquepala and Cujajone copper mines and the Ilo smelter in Peru. Last year, the Ilo smelter produced one million metric tons of copper, and the facility has a total capacity of 1.2 million metric tons. Southern Copper did not respond to requests for comment by Reuters regarding Kuczynski's statement.

PDVSA Relocating Oil From Bahamas Storage Facility

Venezuelan state oil company PDVSA is relocating millions of barrels from a Bahamas storage facility following the termination of a contract with the facility's owner, U.S. Buckeye Partners, according to sources familiar with the matter, Reuters reported Tuesday. PDVSA has decided to move its oil to the Statia terminal, which is located on the island of St. Eustatius and is operated by U.S.-based NuStar Energy. The termination came after multiple attempts between Buckeye and PDVSA to resolve payment delays and other problems that had stalled oil shipments from the storage facility, highlighting the state oil company's difficulty in maintaining business relationships and in making sure operations run smoothly in order to maximize the income Venezuela can get from oil, its key export. Buckeye and PDVSA did not respond to requests for comment. PDVSA is now paying some \$2.3 million per month to lease storage space for approximately five million barrels of crude at NuStar's Statia terminal.

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el governorships. In fact, what probably saved del Mazo was the hugely successful campaign by PRD candidate Juan Zepeda. With the party only polling between 8 and 10 percent in national polls, Zepeda was able to pull in 18 percent of the vote in the gubernatorial election. That extra 8 percent is what prevented Gómez from beating del Mazo. It is well worth considering this for a second. In the PRI's stronghold, almost 50 percent of the voters expressed a preference for a left-wing candidate. This makes the PRD a potential power broker for next year's election cycle. As for the PRI, the party faces an uphill struggle, and it seems it must work hard to find the right candidate for the presidential elections, someone who will appeal to a broader demographic and who can overcome the historically low approval ratings of the current government."

A **Ruben Olmos, president of Global Nexus LLC in Washington:** "The general outcome of the June 4 election, where four states chose state and municipal authorities, is not the greatest for an unpopular Peña Nieto administration, which is facing serious corruption, political and security issues nationwide and uncertainty on the foreign front just a year before a crucial presidential contest. Looking at the numbers, the ruling Institutional Revolutionary Party (PRI) together with its ally the Green Party, obtained the most total votes, close to 3.2 million, followed by Andrés Manuel López Obrador's Morena Party, which obtained 2.5

million. The contest for the third and fourth place spots was between the center-right National Action Party (PAN), which obtained 1.8 million votes, followed by the leftist PRD with 1.3 million. The biggest lesson for all

“**The biggest lesson for all parties after this election is that it is now all about building alliances.**”

— Ruben Olmos

parties after this election is that it is now all about building alliances. If López Obrador would have accepted an alliance with the PRD, Morena could have won the election in the State of Mexico. There are now talks between the PAN and PRD to present a single presidential candidate (they could have done better this time around if they had competed together). Meanwhile, there is an independent movement that might unite with a single candidate as well. López Obrador is still skeptical about partnering with another party, which might again cost him a victory. When it comes to the PRI, which will hold its national general assembly in August, President Peña Nieto will soon announce changes in his cabinet, as he prepares to choose his successor, which again might not be a traditional PRI member, but rather more of an outsider who can reach out and build a governing coalition.”

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