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FEATURED Q&A

Who Will Be the Next President of Honduras?



Liberal Party candidate Luis Zelaya (pictured above) has emerged as one of the candidates with a chance to upset incumbent Juan Orlando Hernández for the presidency. // File Photo: Zelaya campaign.

Q Hondurans go to the polls on Nov. 26 to elect a president, as well as all 128 members of the country's unicameral Congress. Juan Orlando Hernández is seeking an unprecedented second consecutive term as president and is facing challengers Salvador Nasralla and Luis Orlando Zelaya. Hernández, who has been the Central American country's president since 2014, has been leading in the polls this year. Who will win, and why? Which issues are driving the presidential and legislative races? What are the most pressing concerns that will face the next president of Honduras? Is allowing consecutive presidential re-election good for the country's democracy?

A Federico Álvarez, former president of the Central American Bank for Economic Integration: "Last year's Supreme Court decision declaring that the Articles of the Constitution that unambiguously forbid re-election in Honduras are in violation of the current president's human rights has been very controversial. And the campaign has clearly demonstrated the weakness of the country's democratic institutions, because it has been impossible to tell the actions of the president apart from those of the candidate. In these conditions, the opposition parties are having a hard time trying to level the playing field. Opposition candidate Luis Zelaya has been gaining ground and reducing the favorable margin Juan Orlando Hernández has enjoyed in the polls. It is possible that the winner of these elections will be one of these two candidates. The president has been putting forward the idea that another four-year term as president is necessary to finish implement-

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TODAY'S NEWS

ECONOMIC

Venezuelan State Power Company Defaults

Corpoelec was declared to be in default after it failed to make a \$28 million payment on a \$650 million bond. Venezuelan President Nicolás Maduro has called for a restructuring of the country's debts.

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BUSINESS

Volkswagen to Invest \$650 Mn in Argentina

The German automaker is planning to manufacture a new sport-utility vehicle at its existing plant in Pacheco, the company said in a statement. Volkswagen said the investment will create some 2,500 jobs.

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POLITICAL

Peru's President Sees Approval Rating Fall

President Pedro Pablo Kuczynski's approval rating slipped to 27 percent. Tensions have been rising with the country's opposition-controlled Congress.

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Kuczynski // File Photo: TV Perú.

ECONOMIC NEWS

Venezuelan State Power Company Declared in Default

Venezuela's state power company, Corpoelec, was declared to be in default Friday after it failed to make a \$28 million payment on a \$650 million bond, The New York Times reported. Power company Electricidad de Caracas originally issued the bond a decade ago before it was nationalized. Wilmington Trust announced the default after bondholders said they had not received a payment that was due Oct. 10 but that had a grace period that lasted until Nov. 9. "This is the first drizzle in a huge thunderstorm," Jose L. Valera of law firm Mayer Brown in Houston told the newspaper. "The whole country of Venezuela is bankrupt." Over the past month, Venezuela and its state-run entities, including state oil company PDVSA, have missed approximately \$350 million in interest payments. The grace periods for many of those payments end over the coming days. "There are going to be so many different debtors, from the sovereign to these different state-owned companies, and they are all going to be defaulting at the same time," Valera told The New York Times. Venezuelan President Nicolás Maduro announced earlier this month that his government would seek a restructuring of \$63 billion worth of bonds and has invited creditors to meet with a restructuring committee led by

the country's vice president, Tareck El Aissami. It is unclear, however, how many investors will participate in the talks, as sanctions imposed by the United States restrict negotiations or the buying of new Venezuelan bonds by U.S.-regulated financial institutions. "Once again, we invite investors to register their participation in this meeting," Finance Minister Simon Zerpa, who also is the finance head of PDVSA, said in advance of the meeting scheduled for this afternoon, Reuters reported. Zerpa and El Aissami are both on a U.S. sanctions list, Zerpa for alleged corruption and El Aissami for alleged involvement with drug trafficking. The two men likely would sit out the meeting to allay any fears from creditors about meeting with them, foreign investor sources told Reuters. Venezuela and Russia are expected to sign a debt restructuring deal on Wednesday, with a term of about 10 years and payments gradually increasing, an unnamed source familiar with the matter told Reuters on Friday. Venezuela will be required to pay Russia a significant amount before the end of the year in order for the agreement to take effect, according to the source. The deal would also require Venezuela to pay Russian exporters for goods that have already been delivered. Russia's finance minister, Anton Siluanov, previously said that the Andean nation has agreed to restructure \$3 billion in debts on terms that had earlier been agreed upon. The developments on Venezuela's debt followed an announcement Thursday by the U.S. Treasury Department that it was imposing new sanctions against 10 current and former Venezuelan government officials, The Wall

NEWS BRIEFS

At Least Two Injuries Reported as Earthquake Rattles Costa Rica

An earthquake with a preliminary magnitude of 6.5 hit Costa Rica on Sunday night, causing at least two serious injuries, according to the country's Public Safety Ministry, the Associated Press reported. Some areas lost electricity after power lines and poles fell as a result of the quake, but there were otherwise no reports of major infrastructure damage due to the earthquake. The U.S. Geological Survey said the earthquake was centered approximately 10 miles southeast of the town of Jacó, which is about 60 miles southwest of the capital, San José.

Peru's Kuczynski Sees Approval Rating Fall to 27 Percent

Peruvians' approval of President Pedro Pablo Kuczynski fell three percentage points to 27 percent this month following heightened tensions with the country's opposition-controlled Congress, according to an Ipsos poll published in newspaper El Comercio. The survey of 1,254 Peruvians was conducted between Nov. 1 and Nov. 3 and had a 2.7-percentage point margin of error.

Mexico's Congress Gives Final Approval to Budget

Mexico's Congress on Friday gave the final approval for next year's federal budget, which raises the assumed oil price and exchange rate in order to help increase funding for reconstruction after two earthquakes rocked the country, Reuters reported. Authorized spending is for \$276.98 billion, or 5.28 trillion pesos, up 43.29 billion pesos from the original draft. Lawmakers raised the projected exchange rate from 18.1 pesos per dollar to 18.4, and they raised oil price assumptions from \$46 to \$48.50 per barrel.

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ing the reforms that he has been pushing for, whether they be personal-security or social-assistance programs. Meanwhile, Luis Zelaya bases his candidacy on a series of proposals oriented at strengthening the country's institutionality and fighting corruption and the structural causes of the country's poverty. The final decision seems to be in the hands of the undecided, who represent nearly 20 percent of the total voting population. The approval of a law that forces political parties to transparently declare the

source of their campaign contributions has made this campaign one of the most austere in Honduras' recent history. The next president will have to face important economic challenges, because of the significant international obligations being due, as well as the possible reduction of family remittances due to President Trump's anti-migration policies, all the while facing a significantly growing unemployment rate, due to lack of private investment."

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Street Journal reported. The Treasury accused the officials of subverting democracy and said they are “associated with undermining electoral processes, media censorship or corruption in government-administered food programs in Venezuela.” Among the targeted officials are several top members of Venezuela’s electoral council, whom the Treasury accuses of disrupting national elections by moving polling places just before recent balloting. Also named on the blacklist are members of Venezuela’s government-aligned Constituent Assembly, which earlier this year declared itself superior to all other government institutions, including the country’s elected legislature and the courts.

Thousands of Brazilians Protest Austerity Measures

Thousands of Brazilians took to the streets in protest against President Michel Temer and his government’s proposed austerity measures, including a widely unpopular pension reform that the government sees as key to closing the budget deficit, Reuters reported. Protests took place in cities throughout the country, including Rio de Janeiro and Brasília. Protesters were also demonstrating against a wave of privatizations that the government had recently announced. “We must prevent the destruction of our country, the loss of social gains and the threats against democracy,” said Telma de Barros, a teacher protesting in São Paulo. Though there have been other protests against the government’s austerity measures in recent months, the demonstrations on Friday had the highest turnout by far. One law Brazilians were protesting Friday was a new labor law that had been approved by the Senate in July and which went into effect on Saturday that will allow for more flexible contracts, gets rid of mandatory union dues and makes unions liable for the legal costs of losing court challenges. Protesters were also demonstrating against a pension reform proposal that would raise the retirement age and extend the contribution period required in order for workers to receive their full pensions.

BUSINESS NEWS

Volkswagen Plans to Invest \$650 Million in Argentina

German automaker Volkswagen is planning to invest \$650 million in Argentina, where it will manufacture a new sport-utility vehicle at its existing terminal in Pacheco, the company said in a statement Friday, Reuters reported. Chief Executive Herbert Diess and Pablo Di Si, the company’s regional leader, had negotiated the investment with Argentine President Mauricio Macri, who has been seeking foreign investment by implementing policies that are seen as business-friendly since taking office in late 2015. Volkswagen said the investment will create approximately 2,500 jobs. The decision to invest further in Argentina is part of the German car brand’s strategy to cede more responsibility from its Germany headquarters to regional operators. The company plans to introduce 20 new models in South America by 2020, including its first SUV for Argentina and

a redesigned line of pickup trucks. Argentina’s car output increased by 15.9 percent in October to 43,854 units year-over-year in its sixth consecutive month of growth, the Association of Automotive Factories said.

Nexa Resources Closes \$728 Mn IPO in Toronto, New York

Brazil-based zinc producer Nexa Resources announced Sunday that it recently raised \$720 million in initial public offerings on the Toronto and New York stock exchanges. “The offering represents the third-largest mining company initial public offering in TSX [Toronto Stock Exchange] history and the largest mining IPO of a Latin American-focused company on the TSX,” Nexa said in a statement. The company, which formerly operated as Votorantim Metais Holdings, also on Sunday reported a net profit of \$81 million for this year’s third quarter, 67 percent higher relative to the same period last year. Net revenues totaled nearly \$626 million, an increase of about 20 percent year-on-year.

JOB POSTINGS

EDITOR’S NOTE: We are pleased to share Latin America-related job postings that readers of the Advisor and others have posted recently.

Verisk Maplecroft: Political Risk Analyst, Mexico City

Fitch Ratings, Head of Regulatory Compliance, Latin America, São Paulo

Inter-American Dialogue, Communications Coordinator, Washington

Ashoka, Managing Director, Latin America, São Paulo

MUFG, Regional Head of Compliance for Latin America, New York

Manduka, General Manager, Americas, Los Angeles

Gilead Sciences, Director Access Operations and Emerging Markets, Andean Region

Harvard University, Executive Director, David Rockefeller Center for Latin American Studies, Cambridge, Mass.

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A **Fulton Armstrong, senior fellow at American University's Center for Latin America Studies and former U.S. National Intelligence Officer for Latin America:** "A win by President Juan Orlando Hernández in this month's election—engineered with U.S. acquiescence—would not be a step forward for Honduran democracy, stability or economic progress. He supported the military coup that ousted President Manuel Zelaya in 2009 for trying to do exactly what he later did: modify the Constitution to allow himself a second term. He has consolidated power the old-fashioned way, using public institutions and resources to build his base and to block challengers. Under his influence, the Supreme Electoral Tribunal (TSE) has repeatedly denied his strongest competitors a seat at the table. The Libre party, which won almost 30 percent of the vote in the election, has no voice. The opposition has not gone down without a fight, however. In early November, for example, more than 10,000 protesters led by an offshoot of Convergencia Ciudadana and the Alianza de Oposición marched through Tegucigalpa demanding that the TSE nullify Hernández's candidacy until questions about its constitutionality are resolved. Coalition candidate Salvador Nasralla, airing widespread suspicions that electronic vote tallies will be manipulated, demanded that election results be based solely on paper ballots. Honduran oppositionists continue to squabble among themselves, but they've been resilient in the face of government pressure. Washington has shown occasional anxiety about the non-democratic tendencies and corruption of both Hernández and his predecessor, former President Pepe Lobo. In 2013, U.S. Ambassador Kubiske persuaded candidates to sign a commitment establishing 'minimum guarantees for election ethics and transparency,' which has since gone unheeded. No administration has judged that the benefit of insisting on government transparency outweighs the cost of ruffling the feathers of political and economic elites. The United States is spending hundreds of

millions trying to stem the flow of migrants and drugs from Honduras, but it's ignoring one of the principal causes—the lack of a transparent, accountable government."

A **Carlos Imendia, economic consultant based in San Francisco:** "This year's elections are quite peculiar. The incumbent is also a candidate, competing against eight presidential aspirants, among whom there is a general, a congresswoman, young people in their 30s, a college teacher, a TV celebrity and former grassroots activists. This uncommon scenario brings back expectations of reviving politics with new spirits, aspiring for a better country, giving hopes to unleash economic engines, restoring honest behavior in politics and getting rid of inequality. But

“This year's elections are quite peculiar.”

— Carlos Imendia

the field is uneven, with Hernández concentrating public resources and donors' money, which his contenders lack. This advantage and modest economic growth in the last few years could give him a second term. However, the driving forces in politics have shifted to issues such as safety, corruption and lack of opportunities, all of which are part of the new actors' agendas. The issues are not only plain growth and employment; Hondurans want rule of law, health, education and quality of life, and politicians will be accounted for results in these areas. The outcome will depend on who successfully addresses those issues that matter to the everyday Honduran, who is searching for a job, watches the excesses of the elites, and struggles feed and educate his children. Whoever wins can only expect governance inasmuch as he or she can build alliances with other political forces, not to perpetuate privileges, but to transform the lives of the majority of the people."

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2017

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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at freetrial@thedialogue.org

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