

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs
Cargill

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Dirk Donath

Senior Partner,
Catterton Aimara

Barry Featherman

Senior Director,
International Government Affairs,
Gilead Sciences

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

President, Boeing Latin America

Jon Huenemann

Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Carl Meacham

Associate VP for Latin America
Int'l Advocacy Division, PhRMA

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty

Head, Latin America
Sovereign Ratings, Fitch Inc.

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

Which Issues Are Driving Costa Rica's Presidential Race?



The first round of Costa Rica's presidential election is scheduled for Feb. 4. Juan Diego Castro of the National Integration Party is among the front-runners. // File Photo: Castro Campaign.

Q Costa Ricans will go to the polls on Feb. 4 to select their new president. Antonio Álvarez of the National Liberation Party and Juan Diego Castro of the National Integration Party are the candidates currently leading the polls, among numerous others running. What issues are the leading candidates campaigning on ahead of the vote? How will the candidates address issues such as security, migration and the fiscal deficit, which President Luis Guillermo Solís earlier this year said were key issues facing the country? Who is most likely to win the vote in February?

A Kevin Casas-Zamora, nonresident senior fellow at the Inter-American Dialogue and former vice president of Costa Rica: "Three things stand out about this campaign. The first is the sheer uncertainty about who the winner will be. With party loyalties eviscerated, polls suggest that over 40 percent of the voters have yet to decide who to support. Just like four years ago, when a last-minute tide carried President Solís to victory, the fate of this election will be decided in the week before the polls. Second, for the first time, the political system is facing a viable populist challenge from an outsider. Juan Diego Castro, a lawyer and media personality, has crafted an angry anti-establishment, anti-corruption, law-and-order message particularly well suited to the profound disaffection with political elites. Castro's challenge has been aided by a third factor: an all-consuming national obsession with corruption as the country's most important issue. This obsession, long a feature of debates in Costa Rica, has been reinforced by the recent unveiling of an influence-peddling network, centered on a

Continued on page 3

TODAY'S NEWS

ECONOMIC

Top E.U. Diplomat Meets With Castro During Cuba Visit

Federica Mogherini met with Cuban President Raúl Castro at the conclusion of a two-day visit to the island nation. She told reporters that E.U. countries are now Cuba's most important economic partner.

Page 2

BUSINESS

Chiquita to Face Trial Over Payments to FARC

The banana producer is set to face trial next month in the United States over payments it made to the Colombian rebel group.

Page 2

POLITICAL

Former Peruvian President Fujimori Leaves Hospital

Former Peruvian President Alberto Fujimori on Thursday night left a Lima hospital as a free man following his controversial Christmas Eve pardon. His son, Congressman Kenji Fujimori, tweeted a photo of him and his father as they were driven away.

Page 2



Alberto and Kenji Fujimori // Photo: @KenjiFujimoriH via Twitter.

POLITICAL NEWS

Peru's Fujimori Leaves Hospital Following Pardon

Former Peruvian President Alberto Fujimori, who had served more than a decade of a 25-year prison sentence for corruption and human rights violations, on Thursday night was released from a hospital as a free man after being granted a controversial pardon on Christmas Eve by current President Pedro

“To the joy of many Peruvians, today Alberto Fujimori is free.”

— Alejandro Aguinaga

Pablo Kuczynski. Fujimori's son, Kenji, a sitting member of Congress, accompanied his father, who emerged from the Clínica Centenario in Lima in a wheelchair and boarded an SUV with tinted windows that took them to a rented house in the upscale La Molina neighborhood, La República reported. “To the joy of many Peruvians, today Alberto Fujimori is free,” the former president's doctor and the country's former health minister, Alejandro Aguinaga, told television station Canal N. He added that Fujimori was still recovering from heart problems. Kuczynski's controversial pardon of Fujimori has been widely seen as payback to Kenji Fujimori, who helped Kuczynski survive an impeachment attempt last month. Fujimori's critics have blasted Kuczynski's decision to pardon the former president. “You may have benefited improperly from an illegal pardon, but that does not take away your responsibility for the death and corruption of the 1990s,” human rights activist Gisela Ortiz said in comments directed at Fujimori, Reuters reported. Ortiz's brother, a university student, was killed in a 1992 massacre by a death squad that Fujimori was later convicted of commanding. During

his hospitalization last week, Fujimori signaled that he would not return to politics, but his supporters have called on him to advise the Popular Force party, which controls Congress. “There's nothing wrong with receiving advice from him, or counting on his support or counsel for a future presidential candidate,” Maritza García, a Popular Force lawmaker told Reuters last week. “Because of his health he can't lead the party, but he can direct it from his bed or wheelchair,” she said.

ECONOMIC NEWS

Top E.U. Diplomat Meets With Castro to Conclude Cuba Visit

Federica Mogherini, the European Union's top diplomat, on Thursday met with President Raúl Castro as she wrapped up a two-day visit to Cuba aimed at strengthening ties with the communist nation, Reuters reported. At a press conference earlier on Thursday, Mogherini said E.U. countries are now Cuba's most important economic partner. Her visit came as U.S. President Donald Trump has reversed some of the thaw with Cuba instituted by his predecessor, Barack Obama. Mogherini said the European Union and Cuba would soon sign \$59 million worth of agreements in areas including renewable energy and sustainable agriculture.

BUSINESS NEWS

Chiquita to Face Trial Over Payments to Colombia's FARC

Banana producer Chiquita is set to face trial on Feb. 5 for claims that the company paid money to Colombia's Revolutionary Armed Forces of Colombia, or FARC, and is liable under the Anti-Terrorism Act for the deaths of six U.S. citizens killed by the rebel group, Reuters

NEWS BRIEFS

Ex-Salvadoran Official Convicted in Graft Case

A former private secretary to ex-Salvadoran President Tony Saca was convicted Thursday of illegal enrichment and was ordered to pay \$17.8 million back to the government, the Associated Press reported. Elmer Charlaix was also banned from holding any public position for 10 years, and his wife was ordered to return more than \$170,000. The case against Charlaix began after a government probe uncovered a sharp rise in his wealth that corresponded with his time in government.

Mexico's Acting Attorney General Defends Efforts Against Money Laundering

Mexico's acting attorney general, Alberto Elías Beltrán, on Thursday defended the government's efforts to crack down on money laundering, a day after a report released by the Financial Action Task Force said Mexico's investigations and prosecutions of such crimes had been inadequate, Reuters reported. Elias said prosecutors were already planning to work more closely with U.S. and Colombian officials to better target money laundering networks for multinational drug cartels.

Colombia's EPM Gets \$1 Billion IDB Loan for Hydropower Project

Colombian public utilities company Empresas Públicas de Medellín has secured a \$1 billion loan from the Inter-American Development Bank to finance what it called the “largest hydropower Project in Colombia,” Finance Colombia reported Thursday. The funding will allow the company to build a 2,400-megawatt hydropower plant in Antioquia department. Once it comes online, the facility is expected to generate some 13,900 megawatts of electricity per year.

reported. U.S. District Judge Kenneth Marra of West Palm Beach, Fla., on Wednesday issued a summary judgment opinion that rejected Chiquita's attempt to avoid a jury trial. If the trial takes place as planned, it will be the first in the consolidated litigation against the company by U.S. citizens and foreign nationals over the company's payments to groups involved in terrorist activity, and it will be the first trial under the Anti-Terrorism Act against a U.S. corporation. Chiquita has been accused of providing more than \$220,000 in material support to the rebel group between 1989 and 1999, paying an average of \$32,000 a year. The U.S. government had designated the FARC as a terrorist organization in 1997. The company pleaded guilty in 2007 to engaging in transactions with



Marra // File Photo: Stetson University.

a different paramilitary group in Colombia and paid a \$25 million criminal fine. The plaintiffs are family members or representatives of six U.S. citizens the FARC kidnapped and killed in the 1990s. Five of those killed were Christian missionaries, and the sixth was a geologist. The company's lawyers have portrayed Chiquita as a victim of extortion by the FARC and other rebel groups, saying there was no evidence that the company did anything other than make the extortion payments under duress. Marra, however, ruled that a reasonable jury could conclude that Chiquita had paid money to the FARC while knowing of the group's reputation for extreme violence and for targeting U.S. nationals for ransom kidnappings and murder. He said jurors will have to decide whether Chiquita could have foreseen "that funneling money to ... FARC would predictably enhance and facilitate its ability to perpetrate such attacks, including those on plaintiffs' decedents." Chiquita's lawyers did not respond to Reuters' requests for comment.

FEATURED Q&A / Continued from page 1

previously little-known construction entrepreneur, which has touched all branches of the government, state-owned banks and nearly all parties. The 'cementazo' (cement shock) affair has dominated debates for months, to the exclusion of any other issue. Since it is unlikely that any candidate will reach the 40 percent threshold required to win in the first round, a runoff looms. It is probable that Castro and the PLN's Álvarez will be in the second round, although the latter's lackluster performance is making it increasingly possible that he will be left out of the runoff. The probable beneficiary of the PLN's electoral failure would be Rodolfo Piza, of the right-of-center Social Christian Unity Party. Piza, more than Álvarez, would fancy his chances against Castro. The one certainty in this fluid landscape is that the election will yield an even more fragmented legislature, which will continue to complicate the country's mounting governance problems."

A **Ana Janaina Nelson, fellow at Foreign Policy Interrupted:** "Costa Rica kicks off a busy electoral year in the Americas with El Salvador, Paraguay, Colombia, Mexico, Peru, Brazil, Cuba and Venezuela all facing changes in leadership. Not unlike other countries in the region, Costa Rica is going through an anti-party and anti-establishment phase, allowing populist candidates to come to the fore. The leading candidate, former Minister of Public Safety Juan Diego Castro, has an anti-corruption and anti-crime platform, strongly critical of the current administration and of politicians in general. He is tapping into a widespread dissatisfaction with the performance of the Solís administration, in part the result of a 'cementazo' corruption scandal. And yet, he has not been able to overcome political apathy in the electorate. Forty percent of voters are undecided, which will likely keep Castro from winning in the first round. Other issues that surround this election include

an increased ability to vote from abroad, allowing Costa Ricans to cast ballots in consulates everywhere except Africa; unfounded concerns over electoral fraud; and the economy. The leading candidate is stoking fear

“Costa Rica is going through an anti-party and anti-establishment phase, allowing populist candidates to come to the fore.”

— Ana Janaina Nelson

that there will be widespread electoral fraud in the upcoming election, while electoral authorities vehemently deny any problems. And ratings agencies are looking to the election to help break the political deadlock that has led to negative ratings movements over the last six months. Costa Rica is only one of nine elections next year, but being the first means that—much like Iowa in U.S. presidential election years—its small electorate could serve as a harbinger of whether or not we will see a populist wave in the Americas."

A **Juan Carlos Hidalgo, policy analyst on Latin America at the Cato Institute:** "The oldest democracy in Latin America is not immune to the siren songs of populism, as revealed by the strong showing in the polls of Juan Diego Castro, a demagogue who promises to sweep the 'corrupt and feckless' political elite and 'rebuild the country.' Several factors are fueling the discontent: a widespread corruption scandal that rocked the Solís administration and other political parties has added to the perception that the political class is plagued by graft and influence peddling. Drug-related violence has made 2017 the bloodiest year on record, and the authorities seem incapable of containing it. Unemployment is high, particularly among the youth. Years of underinvestment

Continued on page 4

FEATURED Q&A / Continued from page 3

in transportation infrastructure—and sheer incompetence in building and maintaining roads and bridges—has turned commuting in San José and surrounding areas into a nightmare. On top of this, the country is perilously close to a full-blown fiscal crisis, with the government already experiencing solvency problems. Unfortunately, the leading candidates do not seem interested in tackling these issues with much-needed structural reforms, focusing instead on culture-war issues such as opposition to gay marriage or the teaching of sexual education in public schools. A runoff looks imminent, with neither candidate close to the 40 percent threshold necessary to avoid it. Thus, the race is about who will make it to the second round. With nearly half the voters still undecided, and the threat of an authoritarian populist looming, it is still too early to predict who will be the next Costa Rican president.”

A **Montserrat Sagot R., professor of sociology and director of the Center for Women's Studies Research (CIEM) Universidad de Costa Rica:** “As of the beginning of January, the result of the Costa Rican presidential election is completely undetermined. Not only because the three leading candidates, Juan Diego Castro, Antonio Álvarez and Rodolfo Piza are technically tied, according to the latest poll by CIEP-UCR, but also because an important percentage of the voters (34 percent) have not decided yet whom to support. Many of them will probably make their decision during the last week before the election, or even the very same day. It is also very likely that no one will receive enough votes (40 percent) to win the election in the first round. Under these conditions, the candidate with the highest numbers, Juan Diego Castro, has been

appealing to voters' emotions by using big words and insults against corruption, crime and the political establishment. He cites Ayn Rand and talks about a 'national reconstruction.' For him, pretty much every problem in Costa Rica—the fiscal crisis, unemploy-

“**It is also very likely that no one will receive enough votes (40 percent) to win the election in the first round.**”

— Montserrat Sagot R.

ment, economic growth—could be solved by combating corruption, which he sees as an endless source for dilapidating public resources. Antonio Álvarez, the candidate of the oldest and most established political party in the country (PLN), began the race as the frontrunner. However, he has been losing support, due to a dull campaign and because he is perceived as lacking personal appeal. His program centers on issues such as technological change, employment, crime and security, infrastructure and quality of life. He has not presented concrete measures for dealing with the fiscal crisis and just calls for a dialogue to build a national consensus on income and expenditure. Although Álvarez's program may look more progressive, he has recently joined the most conservative sectors in criticizing what they call 'gender ideology' and opposing many demands put forward by the feminist and LGBT movements.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2018

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Nicole Wasson

Reporter, Assistant Editor
nwasson@thedialogue.org



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Michael Camilleri, Director, Peter D. Bell Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Alejandro Ganimian, Nonresident Fellow

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, China and Latin America Program

Manuel Orozco, Director, Migration, Remittances & Development

Jeffrey Puryear, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Director, Energy Program

Denisse Yanovich, Director of Development and External Relations

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

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.