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FEATURED Q&A

Will Colombia's FARC Survive as a Political Party?



Colombia's FARC, which transitioned from a rebel group to a political party, announced this month that it was halting its campaigns amid threats against candidates, including Rodrigo Londoño, who is running for president. // File Photo: Colombian Government.

Q The FARC, which transitioned from a rebel group to a political party following the signing of its peace accord with Colombia's government, announced on Feb. 9 that it was suspending its political campaigns. Some of its activists have been killed, and several candidates, including its top commander, running for president, have been threatened. Will the FARC, which terrorized Colombians for decades yet held vast areas of the country's territory under its control and kept generations of combatants inducted in its Marxist-Leninist ideology, fail as a peacetime political party? What will happen if it does? How much political weight will the FARC carry through the 10 seats it is guaranteed in Congress through 2026?

A Sergio Guzman, analyst for global risk analysis at Control Risks in Bogotá: "Like many insurgent groups who make a transition into politics, the FARC is in for a rude awakening. The rural country the FARC dreamed to 'liberate from free-market capitalism through a combination of all forms of struggle,' is now mostly an urban landscape with a growing middle class and improving commercial relations globally, and the people in that country are very angry. They are upset because the government has not provided adequate infrastructure, quality schools, reliable electrification and decent health care. Among the many reasons the government argues it was not able to deliver on those promises is because it has been fighting a costly anti-insurgency campaign throughout the country. They are upset because the FARC, instead of acknowledging it has played an outsized role in stopping progress, also has the arrogance to nominate its commanders

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TODAY'S NEWS

POLITICAL

ELN Declares Cease-Fire During Legislative Vote

Colombia's ELN declared a cease-fire during the time of the country's legislative elections last month. Just hours later, the rebel group killed five soldiers in a bomb attack.

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ECONOMIC

Mexico's Retail Sales Fall for Second Straight Month

The country's retail sales declined in December after also falling in November. However, activity in the broader services sector was stronger than retail.

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BUSINESS

Brazil's Alckmin Eyes Privatization of Petrobras

Brazilian presidential hopeful Geraldo Alckmin, the current governor of São Paulo State, said he would be in favor of privatizing state oil company Petrobras if he is elected.

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Alckmin // File Photo: State of São Paulo.

POLITICAL NEWS

Colombia's ELN Declares Cease-Fire During Elections

Colombia's ELN rebel group on Monday announced a cease-fire during the country's legislative elections next month and proposed resuming peace talks with the government, the Latin American Herald Tribune reported. "As we get closer to the March 11 elections, even though we do not endorse these flawed processes, as a show of respect for Colombia's women and men who will cast a vote, the ELN will cease offensive military operations between March 9 and 13," the ELN said in a statement posted to its website. The rebel group also called on Colombian President Juan Manuel Santos to "set a date to start the fifth round of talks and send a delegation for dialogue to Quito. On that date, all our delegates will be going to the Ecuadorean capital too." The ELN said the agenda for the talks "must continue advancing with rigor and expediency, with respect to the tools and protocols established and seeking an agreement to end the armed confrontation and work for transformation to a Colombia with peace and justice." Santos suspended talks with the rebels on Jan. 29 following a series of ELN attacks that left seven police officers dead. Less than 24 hours after the ELN posted the statement about the cease-fire, the group's rebels killed five soldiers and wounded 10 others in a roadside bomb attack near Colombia's border with Venezuela, according to El Tiempo. The attack happened at about 1 a.m. today between the coca-growing region of Tibu and the city of Cúcuta, according to the Colombian army's 2nd Division. "We reject these cowardly and indiscriminate attacks that risks the life of our troops and civilians traveling through the area," the military division said in a statement. The use of improvised explosive devices is "explicitly prohibited by international humanitarian law," the army added. [Editor's note: See [Q&A](#) about the ELN in the Jan. 29 issue of the Advisor.]

ECONOMIC NEWS

Mexico's Retail Sales Fall for Second Consecutive Month

Mexican retail sales fell for the second month in a row in December, dropping 0.5 percent from November, state statistics agency INEGI said on Monday, Reuters reported. Sales declined 2 percent in December from the same month a year earlier. The decline marked the biggest annualized drop in sales for any month since March 2013. However, activity in the broader services sector in December was "notably stronger than retail," Goldman Sachs analysts Alberto Ramos said Monday in a research note. Private nonfinancial services grew "a robust" 4.7 percent year-over-year in December. "Overall, the services sectors on the supply side and private consumption on the demand side have been the engines providing most of the thrust to growth," Ramos said. Mexico's economy grew by 2 percent in 2017, down from 2.9 percent in 2016, and analysts see a host of risk factors on the horizon, ranging from surging inflation to the potential demise of the North American Free Trade Agreement. As negotiators from the United States and Mexico began their seventh round of talks to renegotiate the two-decade-old free trade deal on Monday, the Mexican peso shed 0.8 percent as renewed signs of tension between the trading partners cast a pall over markets, the Associated Press reported.

Bolivia Signs Deal for \$2.5 Billion in Oil, Gas Investment

Bolivian state-run oil company YPF on Monday signed a preliminary agreement with Dubai's Kampac Oil and London-based investment office Milner Capital that could bring in \$2.5 billion for oil and gas exploration and production, Reuters reported. Bolivian President Evo Morales touted the deal as

NEWS BRIEFS

Second Candidate Killed Within Days in Mexico's Guerrero State

A candidate for a local assembly seat in the Mexican state of Guerrero in July's election was killed Sunday, just days after another office-seeker was shot to death in the same city, the Associated Press reported. The ruling Institutional Revolutionary Party's candidate, Dulce Rebaja Pedro, was killed Sunday, while Antonia Jaimes Moctezuma, a state assembly candidate for the leftist Democratic Revolution Party, was shot to death last week. A state policeman was also killed in the violence Sunday, as was Rebaja's aunt.

OECD Calls on Chile to Address High Inequality, Low Productivity

The Paris-based Organization for Economic Co-operation and Development in a report Monday called on Chile to take advantage of higher growth rates in order to address low productivity and persistently high inequality. "The current global economic upswing provides a key opportunity to deepen structural reforms so that Chile can ... make the most of globalization and share the fruits more fairly," said OECD Secretary-General Angel Gurría. The OECD projects GDP growth in Chile rising to 2.9 percent in 2018 and 2019.

Pemex Reports Nearly \$18 Billion Loss for Q4

Mexican state oil company Pemex on Monday said it lost a hefty 352.3 billion pesos (\$17.9 billion) in the fourth quarter of 2017, Reuters reported. The company blamed a volatile exchange rate and higher financing costs. Revenue fell to \$20 billion. While Pemex had a significant production boost in January, up 3 percent as compared with December, its production fell 4.5 percent last month on a year-on-year basis, Platts reported Monday.

a signal of international confidence in the Andean nation. “These agreements ... show that Bolivian norms give legal security to foreign companies,” Morales said in a post on Twitter announcing the deal. Under the terms of the memorandum, the two companies would invest \$2.5 billion in the Madre de Dios basin



Morales // File Photo: Bolivian Government.

in northern Bolivia, which has the potential to produce four billion barrels of oil and 12 trillion cubic feet of gas. Kampac would invest \$500 million, and Milner would invest \$2 billion, according to Reuters. Soon after taking office in 2006, Morales took a firm hand in renegotiating contracts with the hydrocarbons sector, an unpopular move at the time with businesses and an industry that was facing nationalizations elsewhere in Latin America as prices for oil soared. More than a decade later, the move has in large part been considered a moderate and relatively successful approach, however. The increase in taxes and royalties allowed the government to increase its income and finance important infrastructure projects, and Bolivia's economy has grown faster than most of its South American neighbors in recent years. YPF last year announced a \$30 billion investment plan. [Editor's note: See related [Q&A](#) in the Aug. 18 edition of the Energy Advisor.]

BUSINESS NEWS

Brazil's Alckmin Eyes Privatization of Petrobras

Brazilian presidential hopeful Geraldo Alckmin of the centrist Brazilian Social Democracy

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as candidates for office and demand state protection—from the same state the rebels once threatened to overthrow. They are upset because the FARC had the opportunity for an overhaul and decided to maintain its acrimonious name. The contrast between the FARC's political platform and its insurgent history is astounding—even for those of us who are used to macondian storylines. However, the FARC stands to benefit from guaranteed seats in Congress for eight years, which will give it time to adjust to this new political reality. It is likely that the FARC will learn from this experience and channel the concerns of the modernizing Colombia it will represent, notwithstanding the angry mobs that will eagerly remind the rebels of their bloody past.”

A Peter DeShazo, visiting professor of Latin American, Latino and Caribbean Studies at Dartmouth College and former deputy U.S. assistant secretary of state for Western Hemisphere affairs: “The upcoming electoral cycle may be the most complex in Colombia's history. Whatever the result, it will constitute a transition from the past 16-year period dominated by the efforts of presidents Uribe and Santos to counter threats to security from narcotics-fueled armed groups. The current environment is marked by high levels of voter apathy and mistrust of traditional politics. The presidential race

Party, or PSDB, said Monday that he would favor privatizing state oil company Petrobras if he is elected, Globo reported. “It is necessary to discuss the model” of the business, he told a local radio program. The current governor of São Paulo State, Alckmin has been polling in the single digits. In 2006, when he ran unsuccessfully for president, Alckmin fought off accusations he would privatize state-owned Banco do Brasil, saying he favored state control of Petrobras and other companies. However, the issue of privatizing Petrobras, Brazil's biggest company and a source of na-

features a fluid mix of competing coalitions, parties and individuals, with no candidate as yet emerging with a clear advantage. The congressional elections are further complicated by the 10 seats set aside for the FARC

“Its 10 guaranteed seats may well represent the zenith that the FARC congressional presence will ever reach.”

— Peter DeShazo

political party and the 16 newly-created ‘special temporary peace district’ seats in the House of Representatives to represent populations most affected by armed conflict. While the implementation of the 2016 FARC peace agreement is a key challenge confronting the next Colombian administration, the ultimate role that the FARC political party will play in that process is unclear. Its 10 guaranteed seats may well represent the zenith that the FARC congressional presence will ever reach, and its influence in Congress will probably be limited to whatever support it can lend to other factions. A likely poor showing in the presidential vote by its former military leader, Rodrigo Londoño, would further underscore the deep resentment of

Continued on page 4

tional pride for many Brazilians, could become a significant campaign issue considering the multiple candidates from nontraditional parties and backgrounds running in the election, Reuters reported. The leftist candidates all oppose Petrobras' privatization. It is unclear where the far-right and more popular candidate in the race, Jair Bolsonaro, stands on relinquishing state control of Petrobras. Brazil is struggling with growing public debt and few ways to address its fiscal problems, after plans to reduce the country's generous pension benefits were scuttled earlier this month.

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the FARC held by most Colombians. That said, there is no place for threats or intimidation against FARC candidates. Colombians should have the opportunity to express their opinion of the FARC at the polls."

A **Andy Webb-Vidal, CEO of Latin iQ, a business risk consultancy:** "The FARC has a branding problem. It renamed itself the People's Alternative Revolutionary Force, but the acronym remains the same: FARC. No doubt that was guided by nostalgia, but it only reinforces the broad public's perception of them as still a bandit organization. Add to that the visible flow of dissident FARC members returning to violence in the hills, and the FARC faces an impossible sell. Evidently FARC presidential candidate Rodrigo Londoño, also known as Timochenko, does not have the slightest chance of winning, even if he resumes campaigning. No other politician on the political left, let alone on the right, wants to appear in the same photo with someone as politically radioactive as Timochenko. This is understandable, but it risks leaving the FARC dangerously isolated. It is tragic because what Colombia does not need is for more FARC members to feel they wasted their time signing a peace deal, as

this will only encourage further dissidence. On the other side of the equation, the FARC should be satisfied with the 10 guaranteed seats in the legislature. This will give it a voice going forward and will prevent the

“**What Colombia does not need is for more FARC members to feel they wasted their time signing a peace deal.**”

— Andy Webb-Vidal

party from vanishing altogether. It will be left to these FARC legislators to build on what they have, formulate presentable policies, and prepare for the long haul—on the stump, rather than in the mountains. The FARC should note that after its ideological cousins from the FMLN in El Salvador became a legal party after the peace deal there in 1992, it wasn't until 2009 that it won the presidency."

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Advisor Video

Piñera's Second Term

An Inter-American Dialogue Discussion with
Robert Funk, University of Chile
Gabrielle Trebat, McLarty Associates
Sergio Urzúa, University of Maryland

View a webcast of the Feb. 15 discussion.

PLAY

