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FEATURED Q&A

What's Behind ARENA's Big Wins in El Salvador?



The Nationalist Republican Alliance's wins in this month's legislative elections in El Salvador marked a major defeat for President Salvador Sánchez Cerén's Farabundo Martí National Liberation Front. // File Photo: Salvadoran Government.

Q The right-wing Nationalist Republican Alliance (ARENA) dominated El Salvador's legislative and municipal elections on March 4. The election strengthened ARENA's control of the country's Legislative Assembly and dealt the biggest blow to leftist President Salvador Sánchez Cerén's Farabundo Martí National Liberation Front (FMLN) since it was founded 25 years ago, *El Faro* reported. To what can ARENA attribute its victory? What do the results mean for Sánchez Cerén and his policy agenda? What will be the impact of the legislative and municipal elections on next year's presidential race?

A Mari Carmen Aponte, former U.S. ambassador to El Salvador and former acting assistant secretary of state for Western Hemisphere affairs: "Voters in El Salvador are not necessarily satisfied with their political parties. In the final tallies, both parties lost votes compared to the last election. ARENA, however, lost far fewer votes, retained their core supporters and effectively turned out voters at the polls. However, there is clear discontent with the functioning and operation of the government, as shown by the dramatic underperformance of the FMLN. It is very hard to interpret these results except as a clear loss for the government. The Sánchez Cerén administration has a complicated final 11-month period before the presidential election next year. It has held ministerial meetings, suggesting personnel changes in the cabinet and maybe even changes in policy. With the radically different composition in the legislature, however, it will have difficulty implementing policy, new or existing. It is difficult to predict what will happen in next

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TODAY'S NEWS

BUSINESS

Firm at Center of Panama Papers Shutting Down

Mossack-Fonseca said it will shut down at the end of this month. The firm was catapulted into the headlines two years ago amid its massive data leak.

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ECONOMIC

Argentina Sees Stronger Economy Than Expected in First Quarter

Argentina's economy is performing more strongly than expected. The government is expecting growth of 3 percent year-on-year for the first quarter.

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POLITICAL

Ex-Mexican Prosecutor Claims Probes Prompted His Firing

Former Mexican prosecutor Santiago Nieto, who was fired last October, said he was dismissed because he was investigating corruption allegations against the country's ruling party.

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Nieto // File Photo: Mexican Government.

POLITICAL NEWS

Mexican Prosecutor Says He Was Fired for Probing Ruling Party

Santiago Nieto, the Mexican prosecutor who had been investigating alleged payments from scandal-plagued Brazilian company Odebrecht to President Enrique Peña Nieto's campaign and also alleged instances of illegal financing in state elections by the ruling party, said in an interview that he was fired last October in

“I was an annoying prosecutor for the government, and they wanted me out.”

— Santiago Nieto

an effort to halt the probes. “I was an annoying prosecutor for the government, and they wanted me out,” Nieto, who is not related to the president, told *The Wall Street Journal*. Mexico's attorney general's office said Nieto was dismissed for illegally disclosing details of an active investigation. The newspaper's interview with the former prosecutor comes amid a public backlash against corruption in Mexico, where leftist nationalist Andrés Manuel López Obrador, the frontrunner ahead of the country's July presidential election, has made fighting graft a central vow of his campaign. The candidate of the ruling Institutional Revolutionary Party, or PRI, José Antonio Meade, is running a distant third. In sworn testimony, several former officials of Odebrecht have told prosecutors in Brazil that they paid \$10 million in bribes to Emilio Lozoya, who at the time was a top aide to Peña Nieto, *The Wall Street Journal* reported, citing transcripts of the testimony. Odebrecht handed over approximately \$4 million of that amount in 2012, the year that Peña Nieto was elected president, the former officials testified. The rest of the money went to Lozoya after he became head of state oil company Pemex in December 2012, the former

Odebrecht officials alleged. During Lozoya's time at the helm of Pemex, Odebrecht was awarded at least \$1.5 billion worth of contracts from the state oil company. Odebrecht had previously won just one contract from Pemex, for \$317 million, in 2005. Peña Nieto and Lozoya have denied wrongdoing. After Nieto's ouster last October, Mexico's Senate debated whether to return him to the post. However, Nieto said days after his firing that he would not seek reinstatement even if a majority of senators approved it, saying “conditions do not exist” for him to return to the job, the *Financial Times* reported.

ECONOMIC NEWS

Argentina Sees Stronger Economy Than Expected in Q1

A stronger-than-expected economic performance in this year's first quarter is helping contain the effects of a severe drought that is expected to crimp growth in Argentina this year, a Treasury Ministry official said Wednesday, Reuters reported. Luciano Cohan, the undersecretary for macroeconomic planning, told reporters that Argentina's economy will expand between 0.5 and 1 percent in the first



Cohan // Photo: lucianocohan.com.ar.

quarter as compared with last quarter of 2017, and 3 percent year-over-year. The country's worst drought in 30 years has cut expectations for the soybean and corn harvests, slicing up to 1 percentage point from this year's GDP. But recent data has shown stronger automobile output, as well as gains from the construction,

NEWS BRIEFS

Seven Inmates Killed in Police Crackdown at Bolivian Prison

Bolivia's government confirmed that seven inmates were killed in a police crackdown when they tried to resist a search at the Palmasola prison in Santa Cruz, La Razón reported. According to the latest figures, 26 people were injured—19 inmates and seven policemen. More than 2,000 officers entered the prison of 6,000 inmates, seizing 85 knives, nine firearms, and four grenades, as well as 8,000 kilograms of drugs, including cocaine and marijuana. Officials also discovered an alcohol distillery on the premises. Twenty inmates will be transferred to other facilities, officials said.

Peruvian Prosecutors Open New Probe of Kuczynski, Toledo

Peru's prosecutor's office on Wednesday initiated a preliminary investigation against President Pedro Pablo Kuczynski and former President Alejandro Toledo over a contract signed 14 years ago with the Camisea oil and gas consortium, Gestión reported. Kuczynski was Peru's finance minister at the time the contract with Hunt Oil Company was inked. The investigation, which centers on collusion in the Lot 56 contract, must be completed within eight months or dropped. A similar case was started six years ago, according to the report.

Firm at Center of Panama Papers Leak to Close

Mossack-Fonseca, the law firm based in Panama that suffered a data breach two years ago of 11 million leaked documents which shed light on how the world's wealthy exploit financial secrecy laws to hide assets, says it is closing at the end of March, the Associated Press reported. The so-called Panama Papers scandal brought down government officials and embarrassed public figures around the world.

steel, iron, dairy and beef sectors. “The first quarter is surprising us to the upside. We had expected a bit of a cooler first quarter, but now we think it will be between a half a point and one point of growth,” he said. Argentina continues to struggle with inflation, however. The national consumer price index, which serves as the yardstick for the inflation-targeting framework, printed at 2.4 percent in February, up from 1.8 percent in January. Inflation rose to 25.4 percent in February, from 25 percent in January and 24.8 percent in December. In a research note to clients, Goldman Sachs said Wednesday that the acceleration of inflation in February was “expected by both markets and the monetary authority,” given the large increases in regulated prices and the Argentine peso’s depreciation since early December.

BUSINESS NEWS

U.S. Investigation Targets Cemex in Bribery Case

The U.S. Department of Justice is investigating Mexican construction supply giant Cemex over potential violations of bribery laws related to a cement plant it is building in Colombia, *The Wall Street Journal* reported. Cemex on Wednesday acknowledged that it had received a federal grand jury subpoena related to the Colombian project, located in the municipality of Maceo. In 2016, the U.S. Securities and Exchange Commission had also initiated an investigation into some \$20 million in payments to “a non-governmental individual” involved in the deal, which an internal audit at Cemex had found did not adhere to the company’s financial controls. As a result of the audits, the company fired the executives responsible for making the payments, including the vice president for planning for two subsidiaries. In an SEC filing on Wednesday, Cemex said it has been cooperating with U.S. and Colombian authorities. Shares in Cemex tumbled more than 2 percent on Wednesday on the news, the *Financial Times* reported.

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year’s presidential election. A great deal will depend on the figures that the parties choose to lead their tickets. The Salvadoran voter no longer accepts everything or any candidate from the political parties. There are no longer sure bets. The voters who received more government benefits such as school uniforms, gas subsidies and free seeds did not turn out in this recent election. The voters seem to want a better quality of life, as well as less ideology and tangible improvements in areas such as security and economic growth. This is an opportunity for the parties to present a new political center that will promote pragmatic solutions, less polarization and seek new consensus.”

A **Ricardo Cevallos, partner at BLP Abogados in El Salvador:** “ARENA won because the FMLN did almost everything wrong in the political playbook: it increased taxes (with little to show for it); wanted the state to take over the private pension funds (without a clear explanation of how it would benefit the fund owners, that is, the working class); it severely deteriorated relations with El Salvador’s closest business partner, the United States, by tolerating public criticism of the United States by several of its highest officials. Also, Sánchez Cerén has been absent most of the last four years, particularly at times when the public wanted to hear the government’s position. Additionally, many of its high-ranking officials are facing investigation on corruption allegations. Finally, the government also dismissed as pure ‘media-created opinions’ the serious situation being endured by most of the population as it relates to violence and the lack of safety. The result of this election for Sánchez Cerén is that he is (as he has been for most of the last four years) irrelevant for the next months. The perception is that Sánchez Cerén is not the person who decides policies, but rather it is a small number of FMLN officials who control the executive.

If next year’s presidential election reflects what happened on March 4, the FMLN will most certainly lose. ARENA is preparing an internal race between two strong candidates,

“**ARENA won because the FMLN did almost everything wrong in the political playbook.”**

— Ricardo Cevallos

both of which whom have never held public office. ARENA will capitalize on all the errors that the FMLN made over its 10 years in power. Plus, the new blood being infused by ARENA’s future candidate will mean an easy victory for ARENA in the 2019 presidential election, unless last minute events change voter preferences.”

A **Christine Wade, associate professor of political science and international studies at Washington College in Chestertown, Md.:** “There is little doubt that the FMLN suffered a significant blow in the March 4 elections, losing eight seats in the legislature as well as San Salvador and other municipalities. The FMLN will struggle to put together a voting block to overcome ARENA’s 37 votes in the Assembly, while ARENA could easily manage enough votes for either a simple (43 seats) or super majority (56). ARENA is now in a position to dominate the legislative agenda, override presidential vetoes and will have the greatest influence over the elections of the attorney general, members of the Constitutional Chamber of the Supreme Court, magistrates for the Court of Accounts and the investigator of the ombudsman’s office for human rights. That said, the FMLN’s loss is not necessarily a

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resounding victory for ARENA. While ARENA benefited from the FMLN's losses, its overall vote share is down 7 percent from the 2015 elections. Polling indicates that both parties are equally unpopular with voters; two-thirds of poll respondents prefer no party at all. While smaller parties picked up votes, the null vote was greater than the vote share of the third largest party, GANA. In addition to its inability to effectively address crime or the economy, the FMLN lost many voters following the expulsion of wildly popular San Salvador mayor Nayib Bukele from the party in October. Bukele, who led the campaign for the null vote, is a serious contender for the presidency in the 2019 election under the banner of his new party, Nuevas Ideas."

A Douglas Farah, president of IBI Consultants and senior visiting fellow at the Center for Strategic Studies at National Defense University: "ARENA won in large part because the FMLN core supporters didn't vote, dismayed by their party's inability to address the fundamental challenges of violence, gangs and job creation. Further souring the FMLN's core supporters were the constant reports of corruption, infighting and authoritarianism of the historic leadership of the former guerrilla movement. The biggest losers were some of the FMLN's most visible figures such as José Luis Merino, who failed to win seats that should have been easy wins. With gangs controlling significant amounts of the national territory, economic growth anemic and corruption rampant,

there was a record high abstention rate, coupled with many more ballots that were defaced or left blank. ARENA won by not losing, and many of the conservative party's members also sat out this cycle. These results will severely hamstring the FMLN's

“As in much of Latin America, there is a strong anti-incumbent mood, and ARENA has little new to offer.”

— Douglas Farah

policy agenda, never well defined, particularly if ARENA forms a coalition with smaller parties to obtain a super majority in the unicameral legislature. The impact on the 2019 presidential election is not clear. While ARENA's victory was a landslide, it was a landslide with historically low turnout with a government with diminishing legitimacy. As in much of Latin America, there is a strong anti-incumbent mood, and ARENA has little new to offer. The time may be right for a quasi third party candidate such as Nayib Bukele, the young outgoing mayor of San Salvador, to displace the old guard, as ARENA is unlikely to be able to offer something new enough to return to power."

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

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