

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

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

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

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

Shelly Shetty

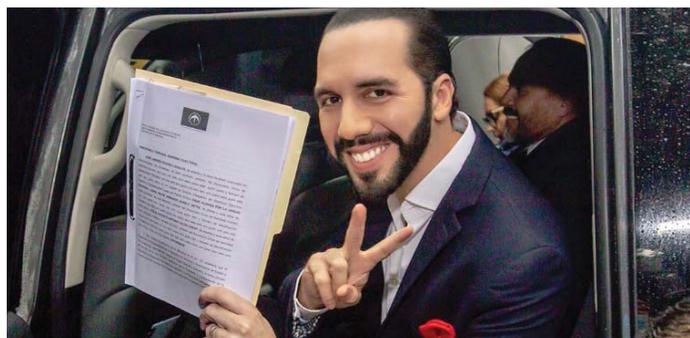
Head of Sovereigns Ratings,
Latin America, Fitch

Roberto Sifon-Arevalo

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

FEATURED Q&A

Who Is Likely to Win El Salvador's Presidential Race?



Nayib Bukele, a former mayor of San Salvador, is leading early polls ahead of El Salvador's presidential election next February. He is pictured on Monday, the day that he registered as a candidate. // Photo: @nayibbukele via Twitter.

Q El Salvador's presidential campaign officially kicked off earlier in October, four months ahead of the election in February. Former San Salvador Mayor Nayib Bukele, who was expelled from the FMLN party last year, leads initial polls. Opposition party ARENA's candidate, Carlos Calleja, a businessman who owns the country's main supermarket chain, is polling second, while the ruling FMLN party's candidate, Hugo Martínez, ranks third. How is the presidential race shaping up? What themes will be at the forefront of the campaigns in the coming months, and what issues are most important for voters? Are big changes in store for El Salvador?

A Mari Carmen Aponte, former U.S. ambassador to El Salvador and former acting assistant secretary of state for Western Hemisphere affairs: "Although polls in El Salvador show Mr. Bukele as an early front-runner in the upcoming 2019 presidential election, in political terms, there is still a long time before the election. Certainly, in the coming months, the two major parties with organized, longstanding national party structures will work hard on their ground operations. This will be a hard-fought election all the way to election day. The themes Salvadorans will want to see campaigns address will be security, improvement in quality of life and employment opportunities. These issues have not had satisfactory and sustainable solutions in the past 20 years. In fact, they have been the subject of empty promises and have eluded concrete solutions for far too long. In the last year alone, Salvadorans have seen breathtaking abuses and corruption. And like many countries, most recently Brazil, the electorate will 'bill' the parties in

Continued on page 3

TODAY'S NEWS

POLITICAL

Court Releases Keiko Fujimori From Prison

Peruvian opposition leader Keiko Fujimori remains under investigation over about \$1.2 million in undeclared financial contributions to her 2011 presidential campaign.

Page 2

POLITICAL

Colombia: Protests Seek More Money for Education

Tens of thousands of students from public universities organized protests in several Colombian cities, asking the government to comply with a list of 10 demands.

Page 2

ECONOMIC

U.S. Increases Size of Credit Line to Mexico

U.S. Treasury Secretary Steven Mnuchin has tripled the size of a credit program, known as the exchange stabilization agreement, available to Mexico in the form of a "swap line" in case the country faces a currency crisis, allowing it to borrow as much as \$9 billion.

Page 2



Mnuchin // File Photo: U.S. Government.

POLITICAL NEWS

Colombia Protesters Seek More Spending on Higher Education

Thousands of students took the streets across Colombia on Wednesday, the second organized demonstration in less than a week to demand an increase in higher education funding, *El Tiempo* reported. Students from public universities organized protests in several Colombian cities, including Bogotá, Medellín and Cali, asking the government to comply with a list of 10 demands, among them an increase in the education budget of 4.5 billion pesos, or nearly \$1.5 million, by the end of the year. On Tuesday, Colombian President Iván Duque agreed to expand the budget by one billion pesos over the next two years. "We do not agree with Duque's financial promise because we are demanding 4.5 billion pesos, which is the minimum public and technological institutions need to be able to function in 2019," Angie Delgado, the spokeswoman for one of the student groups that organized the marches, told *El Tiempo*. "Offering one billion pesos will continue suffocating our universities." According to the students, public universities are facing a \$1 million deficit in outstanding salaries to professors and administrative expenses. The lack of government funding has prompted universities to boost enrollment fees, which in turn has negatively affected access, *Semana* reported. Student protesters are reportedly considering camping out in Bogotá's main square, Plaza de Bolívar, until Saturday, *El Tiempo* reported.

ECONOMIC NEWS

U.S. Increases Size of Credit Line to Mexico

The United States has increased the size of a credit line for Mexico to use in times of crisis, according to a new deal signed on Wednesday, *The Wall Street Journal* reported. The U.S.

Treasury Department tripled the size of a credit program, known as the exchange stabilization agreement, available to Mexico in the form of a "swap line" in case the country faces a currency crisis, allowing it to borrow as much as \$9 billion. A previous agreement under the original North American Free Trade Agreement, or NAFTA, offered Mexico a \$3 billion credit line, which the Latin American country tapped in the aftermath of its economic crisis in 1995. A senior Treasury official told reporters Wednesday the deal was not made in anticipation of any such event in Mexico, given the high level of its foreign-currency reserves, at \$173 billion. The "close coordination" of the Treasury Department and Mexico's finance ministry "reflects the mutual benefits derived from continuous economic growth and financial stability in both of our economies," Mexican Finance Minister José González Anaya said on Twitter after signing the deal with his U.S. counterpart, Steven Mnuchin. "We continue to value the very close economic and financial cooperation that exists between our countries to help promote macroeconomic growth and stability, including on exchange rates," Mnuchin said in a Treasury Department statement. Mexico has an additional \$3 billion line with the U.S. Federal Reserve and last year renewed an \$87 billion flexible credit line with the International Monetary Fund amid uncertainty over trade relations with the United States, *The Wall Street Journal* reported. The deal comes as the United States, Mexico and Canada prepare to sign a revamped version of the NAFTA deal, known as USMCA, in late November.

White House Eyes More Sanctions on Venezuela

The Trump administration is considering additional sanctions on Venezuela's government but is seeing less of a need to target the South American country's energy sector, a top administration official told Reuters Wednesday. Venezuela's flagging oil production is playing into the consideration, the official said. Still, the official described potential sanctions on

NEWS BRIEFS

Brazil Economic Activity Rises 2.5 percent in August

Brazil's central bank on Thursday said economic activity rose 0.47 percent on a month-to-month basis in August. A higher figure than expected, the growth added to a 0.65 percent gain in July. In annual terms, Brazil's economic activity grew 2.5 percent in August. However, market analysts say the growth does not yet suggest the economy is on a strong trajectory. "At this stage of the cycle, the forward momentum is still underwhelming," Goldman Sachs economist Alberto Ramos told clients in a research note Wednesday.

Court Releases Keiko Fujimori From Prison

Peruvian opposition leader Keiko Fujimori was freed by an appeals judge late Wednesday, a week after she was arrested on corruption charges, the Associated Press reported. She remains under investigation over about \$1.2 million in undeclared financial contributions to her 2011 presidential campaign that Odebrecht, the Brazilian construction firm, allegedly made. Ties to Odebrecht forced President Pedro Pablo Kuczynski, who narrowly defeated Fujimori in a 2016 presidential runoff, to resign from office earlier this year.

Temer Attorneys Ask Top Court to Annul Police Report Alleging Graft

Attorneys for Brazilian President Michel Temer on Wednesday asked the country's top court to annul a federal police report that recommended he be charged with corruption, Reuters reported. Authorities have been investigating Temer, who leaves office this year, for allegedly taking bribes. Temer took over the presidency in 2016 after former President Dilma Rousseff was impeached. He cannot be prosecuted while in office, unless the supreme court decides to strip his immunity.

Venezuelan economic sectors as possible. "With regards to Venezuela, all options are on the table," said the unnamed source. "At the end of the day, Nicolás Maduro has taken care of really running PDVSA to the ground, and essentially more and more making it a non-factor," the source added, referring to Venezuela's president. The White House has already imposed several rounds of sanctions on officials in Venezuela's government and military, saying they are perpetrating human rights abuses and at fault for the country's economic collapse. Earlier this year, the United States had considered an escalation of sanctions against Maduro's government by restricting insurance coverage for Venezuelan oil shipments and targeting a company that provided oil services and that is run by the country's military. Last year, Washington barred U.S.-based banks from being part of any new borrowing deals with Venezuelan authorities or Venezuelan state-run oil company PDVSA.

BUSINESS NEWS

Mexico's Banca Mifel Pulls Plans for IPO Amid Market Worries

Mexico's Grupo Financiero Mifel has postponed an initial public offering the company had hoped to close this week, Reuters reported. In a statement, the holding company of mid-tier bank Banca Mifel said late on Wednesday that it had put the deal on hold because of market conditions, without giving further details. It is the second major listing to be canceled this week amid a market downturn. Retailer and lender Grupo Coppel called off a more than \$1 billion IPO earlier this week after the family owners backed out, Reuters reported on Tuesday. Banca Mifel had planned to place 167 million shares, plus a possible over-allotment option, at between 35 pesos and 40 pesos (\$1.59 and \$2.12) per share. The Mexico City-based bank, which was founded in 1993, had hoped to raise \$450 million in the offering, according to Bloomberg.

FEATURED Q&A / Continued from page 1

power. Salvadorans are looking for sensible, realistic answers. To the extent that candidates address the issues by concretely explaining when and how they will solve basic problems, they will gain credibility and votes. Regardless of who wins, El Salvador will continue to move forward as a stable democracy. All the candidates are young and embody a new generation, producing enthusiasm for their respective tickets. The winner will have captured the electorate's imagination and will inspire a new age of transparent and accountable government. El Salvador needs it."

A Ricardo Cevallos, partner at BLP Abogados in El Salvador: "Bukele of GANA is ahead in the polls thanks to a generalized perception by voters that the traditional parties are corrupt and inefficient. Frustration is present every day in newspapers and opinion polls. For example, the Legislative Assembly has not elected Supreme Court judges in more than two months, leaving a large amount of constitutional cases pending. Calleja is the candidate with the highest possibility of raising his numbers in the polls and increasing his chance of winning in the first round in February. The issues continue to be security, job generation and corruption. The new relationship with China is also a matter of concern for many voters who believe the FMLN was not transparent about why it broke off relations with Taiwan and immediately established diplomatic relations with China. If the candidate of FMLN or GANA wins, he or she will probably continue to maintain ties with China; ARENA does not like the relationship but has not openly said it would go back to Taiwan. Unemployment is voters' top concern. This is due to the low growth, low investment numbers and the shutting down or downsizing of many factories and businesses over the last 10 years. Generalized corruption by both parties when they have been in power in the past also concerns voters. Bukele is selling himself as

a newcomer, but he has been mayor of the capital and of another municipality close to San Salvador, so he is no lightweight when it comes to politics. His image has been tarnished because he left both municipalities in debt, and, additionally, he has been sued by an attorney who claims wrongdoing while he was the mayor of San Salvador. Those accusations and lawsuits will not go away soon, and they will affect his reputation ahead of the first round in February."

A Douglas Farah, president of IBI Consultants and senior visiting fellow at National Defense University: "The FMLN's ongoing corruption scandals tied to Venezuelan oil giveaways, economic stagnation, ongoing gang violence and growing attacks on the judiciary have badly tarnished the party's promises of transparency, prosperity and peace. ARENA, with two former presidents convicted of massive corruption and a lack

“As in other countries, the disgust with the traditional political parties has led to the rise of a non-traditional alternative, in this case Nayib Bukele.”

— Douglas Farah

of a clear agenda, has yet to present itself as a viable option. As in other countries, the disgust with the traditional political parties has led to the rise of a non-traditional alternative, in this case Nayib Bukele. While he has been mayor of Santa Tecla and San Salvador, he is not from the historic FMLN. He is a young candidate who uses social media and can reach those who are tired of the two main parties re-litigating the civil war every electoral cycle. The main issues are violence, economic growth and corrup-

Continued on page 4

FEATURED Q&A / Continued from page 3

tion. The gangs, particularly MS-13, control much of the country, and their killings, extortion and growing ties to the cocaine trade make them a formidable force that no government has successfully tackled. On the economic front, the FMLN's incompetence and corruption, coupled with the Trump administration's decision to deport thousands of Salvadorans, means few jobs and fewer remittances flowing into the economy. The corruption issue touches all parties. Bukele has not articulated policies to deal with these issues except for platitudes and promises of change. He is very likely to win. The question is whether—alleged with GANA, a party synonymous with corruption and likely little support in the Legislative Assembly—he can do anything without allying with the FMLN. That would likely mean little real change except in style and marginal issues.”

A **Christine Wade, professor of political science and international studies at Washington College:** “Former San Salvador Mayor Nayib Bukele holds a commanding lead in the current field of presidential aspirants. The most recent Gallup poll shows him with 45 percent support, followed by ARENA's Carlos Calleja with 20 percent and the FMLN's Hugo Martínez with 7 percent. At present, 27 percent say they're undecided. Support for Bukele has increased by four percentage points since May's poll, sug-

gesting that undecided votes are breaking for Bukele. Bukele, who was expelled from the FMLN in 2017, is running on the GANA ticket after attempts to register his party, Nuevas Ideas, and to forge an alliance with the now-dissolved Democratic Change party both failed. Though some are critical of his alliance with GANA, voters seem willing to overlook this. A win by Bukele would disrupt the country's two-party dominant system, which could be a positive development. But a lot can happen between now and February. Bukele's popularity in the race is unsurprising considering both his high favorability scores and the very strong anti-establishment mood among voters that we saw in the March elections. Salvadoran voters are increasingly eschewing party identification in favor of candidate- and policy-based voting. El Salvador's main parties, ARENA and the FMLN, have failed to solve serious economic and social problems and are plagued by charges of corruption. In the same poll, 30 percent said unemployment was the most pressing problem in the country, followed closely by corruption at 25 percent. Crime, which has been the primary concern for Salvadoran voters for years, was a distant third with only 19 percent saying it was the most pressing problem.”

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

Anastasia Chacón González

Reporter
achacon@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, Asia 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 fretrial@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.

LATIN AMERICA ADVISOR

Energy Advisor

The answers to questions that informed executives are asking ... every week.

SUBSCRIBE