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THEDIALOGUE

FEATURED Q&A

What Challenges Face Jamaica's New Prime Minister?

Andrew Holness, pictured campaigning last month during a bus tour, is to be sworn in today as Jamaica's prime minister, an office he previously held in 2011-2012. // File Photo: Holness Campaign.

Q The opposition Jamaica Labour Party, led by Andrew Holness, last Thursday won the country's parliamentary election, narrowly defeating incumbent Prime Minister Portia Simpson-Miller's People's National Party. During Simpson-Miller's four-year tenure in her latest stint heading the government, Jamaica's economy returned to growth, and inflation fell to a 48-year low under an at-times contentious IMF austerity program. Was Holness' victory a big surprise? Did voters turn against Simpson-Miller and her party, or did Holness' message resonate more with the electorate? What does the relatively low voter turnout in the election say about the strength of Holness' mandate? What are the most pressing tasks and challenges facing his government?

A Earl Jarrett, general manager of the Jamaica National Building Society and commissioner of the Electoral Commission of Jamaica: "The election process was smooth, with an electorate numbering 1.8 million and a voter turnout of approximately 47 percent, the lowest in the history of Jamaica since its independence. Preliminary analysis indicates that the low voter turnout benefited the JLP, as it appears many supporters of the PNP did not vote, allowing the opposition to capture marginal seats. The PNP government campaigned on its record of successfully managing the International Monetary Fund economic program. However, it would appear that the PNP suffered the consequences of implementing a contractionary and tight fiscal program. The JLP victory was unexpected, given that all the national polls leading up to the election predicted a victory for the PNP. It would

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TODAY'S NEWS

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Brother of Former Colombian President Uribe Arrested

Santiago Uribe was arrested in Medellín on charges relating to a right-wing death squad accused of killing dozens of people in the 1990s.

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BUSINESS

New Pemex CEO Announces $5.5 Billion in Cuts

The Mexican state oil company will cut $5.5 billion from its 2016 budget by lowering costs and deferring investments, said new CEO José Antonio González Anaya.

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ECONOMIC

Argentina, Main Bond 'Holdouts' Reach Deal

Argentina's Government and the main "holdout" bondholders who have refused previous debt restructurings have reached a $4.65 billion deal, said court-appointed mediator Daniel Pollack.

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Pollack // File Photo: McCarter & English.

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ECONOMIC NEWS

Argentine Gov't, Main Creditors Reach Debt Deal

Argentina and the main "holdout" bondholders who have been fighting the South American country's government for nearly 15 years over repayment of defaulted bonds have reached a repayment deal, Daniel Pollack, the court-appointed mediator in the dispute, said Monday in a statement. Argentina's government has agreed to pay $4.65 billion to Elliott Management's NML Capital and three other hedge funds that had sued Argentina for full repayment on bonds following the country's massive 2001 debt default, Pollack said in a statement. "The parties have agreed to take all steps necessary to cooperate with me in my capacity as special master and with each other to effect a consummation of the agreement in principle and a termination of the litigation," said Pollack. The agreement will pay the hedge funds managed by Elliott Management, Aurelius Capital, Davidson Kempner and Bracebridge Capital 75 percent of the full judgments they were awarded, including principal and interest, in addition to payments to settle claims outside the Southern District of New York as well as legal fees and expenses, Pollack added. The agreement is subject to approval by Argentina's Congress and must be accompanied by the lifting of Argentina's "Lock Law" and "Sovereign Payment Law," which were enacted before President Mauricio Macri took office, in order for the deal to be consummated, said Pollack. If Argentine lawmakers approve the measures to allow the payment to go forward, the government would attempt to raise capital in the global markers in order to fund the payments, Pollack said. Macri's party has only a small number of legislators so the president will have to seek votes from across party lines in order to approve the deal, according to analysts, The Wall Street Journal reported. However, after the long battle between the government and bondholders, public opinion is behind a deal that would allow the government to borrow again in international capital markets, according to pollsters. "More than 60 percent of the Argentine people think a settlement will be very beneficial to the Argentine economy," Alejandro Catterberg, director of the Poliarquia Consultores polling firm, told the newspaper. [Editor's note: See **Q&A** on Argentina's bond battle in the Feb. 18 issue of the Advisor.]

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>
> **— Alejandro Catterberg**

POLITICAL NEWS

Brother of Former Colombian President Uribe Arrested

The brother of former Colombian President Álvaro Uribe has been arrested on charges that he established a right-wing paramilitary group known as the Twelve Apostles, which has been accused of murdering dozens of people in the northwest part of the country in the 1990s. Officials from Colombia's prosecutor general's office arrested Santiago Uribe in Medellín, The Wall Street Journal reported. The group began by fighting left-wing rebels who were attacking ranches in Antioquia province, and it later be-

Álvaro Uribe // File Photo: Colombian Government.

NEWS BRIEFS

Brazilian Justice Minister Steps Down, Will Remain in Government

President Dilma Rousseff on Monday accepted the resignation of Justice Minister José Eduardo Cardozo, Agência Brasil reported. He has been replaced by Wellington César Lima e Silva, a former prosecutor-general of the State of Bahia. Cardozo is not leaving the government, however. He will assume the position of attorney general, replacing Luís Inácio Adams. Some members of the ruling coalition have criticized Cardozo for not trying to curb federal investigations into corruption scandals, The Wall Street Journal reported.

Chilean Government Cuts Budget Amid Fall in Copper Prices

Chilean President Michelle Bachelet on Monday cut the government's 2016 budget by more than half a billion dollars, Reuters reported. Finance Minister Rodrigo Valdes said the move was a "moderate adjustment" that still protects social spending. The government's fiscal spending is now set to grow 4.2 percent in 2016 from a year earlier despite falling revenues in the face of lower copper prices. Valdes said the government will cut overtime for public workers and limit purchases of goods and services, according to Reuters.

Citigroup Facing $1.1 Billion in Claims Over Loan Scheme

A group of investors and creditors of bankrupt Mexican oil services company Oceanografía have sued Citigroup in connection with a scheme by which the bank made loans based on Oceanografía's fraudulent invoices, Bloomberg News reported Saturday. The scheme, which came to light in 2014, led Citi to cut its profit by $235 million. The investors argue they incurred $1.1 billion in losses.

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came a vigilante group that murdered guerrilla sympathizers and petty criminals, the newspaper reported. Santiago Uribe was charged with homicide and conspiracy. The prosecutor's office will now review the evidence and is to decide within 180 days whether he should stand trial. Santiago Uribe could not be reached for comment, but he has denied links to the paramilitary group in the past. A spokesman for Álvaro Uribe's right-wing Democratic Center party called the arrest a "strategy pursued by this government to judicially persecute Uribe supporters as a mechanism for them to accept the impunity of the FARC," referring to the peace talks between President Juan Manuel Santos' government and the Revolutionary Armed Forces of Colombia, or FARC, rebels.

BUSINESS NEWS

New Pemex CEO Announces $5.5 Billion in Cuts

The newly installed chief executive of Mexican state oil company Pemex said Monday he will cut $5.5 billion from the company's 2016 budget in the face of a staggering $30 billion loss last year, The Wall Street Journal reported. In a conference call with investors, Chief Executive José Antonio González Anaya said

González Anaya // File Photo: Mexican Government.

Pemex had budgeted to receive $50 per barrel of oil this year, but the price of oil has fallen below $30 per barrel in recent weeks. Pemex now estimates the price per barrel of oil at an average of $25 this year. "We have to adjust to the new realities of Pemex," González Anaya said. About two-thirds of the cuts will come from deferred investments, while the rest will be achieved in better efficiencies and cost reductions, he said. The plan also includes a reduction in capital expenditures and operating expenditures of 6.2 billion pesos ($340 million) in upstream operations. Mexican President Enrique Peña Nieto last week named González Anaya as the new head of Pemex, replacing Emilio Lozoya Austin, who had led the company since December 2012. An economist educated at MIT and Harvard, González Anaya has held positions in Mexico's Finance Ministry. In a statement, Pemex did not mention job cuts as part of the financial plan, however, a move experts say is inevitable. [Editor's note: See related **Q&A** in last week's issue of the Energy Advisor.]

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also appear that many business and thought leaders argued openly that a change in government could also lead to a change in the fiscal program underpinning the economic program which led to low levels of inflation, an improved budget and lowering of the national debt-to-GDP ratios. Jamaica demonstrated to the world that its political process has matured, as the election campaign centered mainly on economic and social issues rather than populist/charismatic leadership. This approach resulted in less tension in communities as, for many, the electioneering process became very friendly and assumed almost 'carnival-like' characteristics. An analysis of Jamaica's political history shows a material change compared to 35 years ago when the political process was fraught with violence as party supporters battled for political advantage. The transformation in the political process has much to do with improvements in the electoral process as the Electoral Office of Jamaica/Electoral Commission of Jamaica have implemented systems to ensure that voting is 'free and fair' and 'free from fear.' "

A Stephen Vasciannie, former ambassador of Jamaica to the United States and professor of international law at the University of the West Indies, Mona: "The victory of the Jamaica Labour Party (JLP) in the general election has some surprising elements. The two most credible pollsters had the People's National Party (PNP) ahead about 4 percentage points in the final week of the campaign. Second, conventional wisdom suggested that, in a close race, the results would turn on organizational efficiency in getting voters to polling stations—the PNP was perceived by many as having a distinct advantage in this area. And, third, if there is a low turnout, the incumbent tends to prevail. For this election, the overall turnout was low, but the incumbent fell. Jamaica will eventually receive about $2.2 billion in loans from the IMF, the World Bank and the Inter-American Development Bank after the country significantly reduces its debt-to-GDP ratio and meets specified primary surplus targets. The IMF-led program has brought some degree of macroeconomic stability, and it has engendered greater business confidence, giving rise to the view that Jamaica is on the way to successful economic reform. But stability has been purchased at a price. The country's growth rate, though positive, has been slight; the Jamaican dollar has continued to slide; the unemployment rate has remained high; and university graduates perceive only limited prospects. It may be too early to identify all the main determinants of the election result.

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> **— Stephen Vasciannie**

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Undeniably, however, the JLP's promise to remove income tax requirements for those earning less than $12,400 per year has been a major factor in turning the electorate toward the JLP. This, together with promises to lower student loan repayment rates and to generate 250,000 new jobs, has prompted the view that the fiscally conservative JLP has entered a populist phase. The low voter turnout is consistent with trends in Jamaican politics, but reflects, in some measure, disenchantment with both major political parties. This is to be expected given the long-term, seemingly entrenched economic and social challenges Jamaica faces. One of the most pressing issues for the new government will involve methods of stimulating growth and employment in the near term, while reducing the country's alarming homicide rate and addressing inequality."

Christopher Barnes, managing director of The Gleaner Company Limited: "The outcome of the election was indeed a surprise for many, and academics, political scientists and pundits will study it for years to come. None of the better known and established pollsters predicted this result, despite a consensus among all that the race would be close. It is difficult to determine if the JLP won or if the PNP lost as, leading up to the elections, there were a host of issues which could have influenced both votes for the JLP and against the PNP. Most prominent among these were promises made by the opposition of generous income tax relief for lower-income brackets, representing a large and important voting base, coming at a time of great austerity, as well as a decision by the ruling party to not participate in national political debates. While democracy has apparently been upheld in that voters have made free choices in a largely peaceful atmosphere, following a relatively incident-free campaigning period, one ought to be concerned about the low turnout, which is indicative of a population largely turned off from the political process. One challenge going forward must be fostering trust of and generating interest in the political process, as well as increasing engagement with the population on issues of national importance. The enormous challenge for the new government will be continuing along the path to economic recovery with fiscal discipline, where the country has made good progress under watchful eye of the IMF, while delivering on the promise of tax relief, which may have in the final days convinced voters to elect the JLP to government."

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> **— Christopher Barnes**

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