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THEDIALOGUE

FEATURED Q&A

Is Cartes Managing Paraguay's Politics & Economy Well?

Hundreds of demonstrators marched earlier this month in Asunción against the government of President Horacio Cartes. // File Photo: Paraguayan Government.

Q Hundreds of anti-government protesters marched on Paraguay's capital on Aug. 15, denouncing corruption and a new private-public partnership law. The protesters, who called for President Horacio Cartes' resignation, were organized by the People's Democratic Congress coalition, which includes a group led by impeached former President Fernando Lugo. Do Cartes' opponents threaten his hold on power? How influential a role is Lugo playing in the country's politics? How well is Cartes, who this month marked three years into his five-year term with a 77 percent disapproval rating in some areas of the country, managing Paraguay's political factions and its economy overall?

A Sebastián Acha, executive director of PRO Desarrollo Paraguay: "The farmers' protest march led by former president and current Senator Fernando Lugo does not appear to have an immediate impact on President Cartes' administration, but it does bring longer-term risks for the government. Despite the seemingly calm protest bid—which wreaked havoc on traffic without drawing any apparent reaction from government security forces—the farmers were awarded promises to their demands. The farmers demanded complete debt relief from loans that were drawn from public-sector institutions that finance agribusiness production. The government, with basically no conditions, granted complete debt relief. This strategy was a decisive blow on the financial system of smaller rural credit. To date, more than 5,000 private-sector debtors have abandoned their payment programs to join the list of 'condoned debtors,' with hopes of jumping aboard the

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TODAY'S NEWS

POLITICAL

Brazilian Senate to Vote Today on Rousseff's Ouster

Senators debated President Dilma Rousseff's fate late into the night and into today's early-morning hours. A vote is expected at mid-day on whether to permanently remove her from office.

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BUSINESS

Scotiabank Reports 6.1% Rise in Quarterly Profit

Toronto-based Bank of Nova Scotia's global banking and markets unit reported a jump in profit, due in part to a focus on retail lending in Mexico, Colombia, Chile and Peru.

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POLITICAL

Trump to Meet With Mexico's President

Republican U.S. presidential nominee Donald Trump, who has made controversial statements about Mexican immigrants and has vowed to build a wall along the U.S.-Mexico border, is to meet today with Mexico's president.

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Trump // File Photo: Trump Campaign.

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POLITICAL NEWS

Brazil's Senate to Vote Today on Rousseff's Ouster

Following a night of impassioned speeches by supporters and opponents of President Dilma Rousseff that lasted into today's early-morning hours, Brazil's Senate is expected to take a final vote at midday on permanently removing her from office. So many senators signed up to speak on Tuesday, the fifth day of Rousseff's impeachment trial, that Chief Justice Ricardo Lewandowski, who is presiding over the proceedings, said today's session would last as long as needed in order for everyone to have an opportunity to be heard, the Associated Press reported. If two-thirds of the Senate, or 54 of 81 members, vote against Rousseff, she will be permanently removed from office and interim President Michel Temer will serve out the remainder of Rousseff's term, which lasts until December 2018. Analysts widely expect Rousseff to lose her battle to remain president. "It's all but a done deal. It's a matter of the tally now," João Augusto de Castro Neves, Latin America director at the Eurasia Group, told The Washington Post. Rousseff, a member of the Workers' Party and Brazil's first female president, stands accused of using allegedly illegal state loans to patch a growing budget deficit in 2014, ahead of her re-election bid. Rousseff denies wrongdoing and has said the impeachment case against her amounts to a coup by right-wing forces. The Workers' Party of Rousseff and her predecessor, Luiz Inácio Lula da Silva, are credited with lifting millions out of poverty, but many Brazilians now blame the party for Brazil's problems, including its severe recession.

> **"It's all but a done deal."**
>
> **— João Augusto de Castro Neves**

Argentina's Macri Announces New Anti-Drug Initiative

Argentine President Mauricio Macri on Tuesday announced a new initiative to combat drug trafficking, La Nación reported. Speaking at the Tecnópolis park in Buenos Aires, the president launched a broad plan that he said would "fight against the drug business and establish new goals to prevent addictions." Macri said the situation had worsened in recent years due to "the denial of the problem" by the previous government of President Cristina Fernández de Kirchner. A principal goal of Macri's plan is to eradicate coca paste, an ingredient in cocaine, said Security Minister Patricia Bullrich. She added that the plan also involves more severe penalties, tighter controls on legal ingredients for illegal drugs and internal "integrity probes," Télam reported.

BUSINESS NEWS

Scotiabank Reports 6.1 Percent Rise in Quarterly Profit

Bank of Nova Scotia, or Scotiabank, on Tuesday reported 1.96 billion Canadian dollars ($1.5 billion) in net income, a 6.1 percent rise year-on-year for the quarter ending July 31, Bloomberg News reported. The Toronto-based lender's global banking and markets unit saw a 12 percent jump in profit for the quarter year-over-year, due in part to CEO Brian Porter's focus on retail lending in Mexico, Chile, Colombia and Peru, where the bank hoped to take advantage of the countries' relative economic stability and promising growth prospects, the news service reported. "We are very pleased with continued strong quarterly results in international banking and remain positive about the medium and longer term potential for these markets," Porter said in a statement. The lender posted strong gains across all of its businesses, though

NEWS BRIEFS

Trump Meeting Today With Mexico's Peña Nieto

U.S. Republican presidential nominee Donald Trump will meet privately with Mexican President Enrique Peña Nieto today during a last-minute visit to Mexico City ahead of the nominee's highly anticipated speech in Phoenix on illegal immigration, Reuters reported. Trump's campaign manager, Kellyanne Conway, said on NBC's "Today" show that Trump would be "very presidential" during his meeting with Peña Nieto. "I think they'll have a productive conversation today ... about illegal immigration but also trade policy and drugs," she told NBC.

Venezuelan Agents Arrest Maduro Opponents Ahead of Anti-Government Rally

Venezuelan President Nicolás Maduro's government has been cracking down on the opposition ahead of a rally set to take place on Thursday, in which opponents will demand a referendum on Maduro's presidency, The Wall Street Journal reported Tuesday. On Tuesday, police for the government's intelligence agency detained opposition leader Carlos Melo, a leader of the Progressive Advance party, the party's spokesman said. The intelligence agency declined to confirm Melo's detention. The incident followed the arrest of the opposition's Yon Goicoechea and opposition leader Daniel Ceballos' transfer from house arrest to prison.

Inovio to Begin Clinical Trial of Zika Vaccine in Puerto Rico

Pennsylvania-based drug company Inovio Pharmaceuticals announced Monday that it is initiating a clinical trial of its Zika vaccine in Puerto Rico, the Associated Press reported. The experimental vaccine will be offered to 160 adult volunteers. Inovio CEO J. Joseph Kim said the company could begin the process of developing the vaccine as early as next year.

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debt relief program, the result of which has been the government compromising much more than it has obtained. In a country constantly struggling against a culture of privilege and political clientelism, responsible debtors who honor their debts have been punished, while debtors who do not have been rewarded. This will be a massive blow on government efforts aimed at formalizing the economy and broadening the scope of financial inclusion. In an economy that has 39.8 percent of its workforce in the informal sector, the future of competitiveness and productivity seems bleak."

Gerardo Ramón Ruiz Godoy, partner at PCG Auditores – Consultores: "Paraguay has maintained its economy with unprecedented dynamism, with 5 percent annual GDP growth on average, despite recessions in Argentina and Brazil, and a significant decline in international commodity prices. However, the government hasn't done a good job of highlighting its achievements, allowing the opposition to launch all kinds of criticism, minimizing progress over the past three years. Lugo is very popular in the lower social classes and peasant organizations for his populist welfare promises, which while unlikely to be realized, generate hope. The benefits of economic development are not having a rapid impact on this sector, although indicators show a marked decline in poverty. The government has implemented transparency programs in public administration, enabled access to the press and the general public, significantly reduced indicators of corruption and has inconvenienced political sectors, businesses and owners of media. This has resulted in a campaign to discredit the government, causing a feeling of disapproval. The truth is that, despite the regional situation, Paraguay's economy is expected to grow 3.2 percent this year. This government has invested five times as much in infrastructure and public works than its predecessors, keeping the economy stable, with significant reduction of poverty through social programs. Today, Paraguay is a good destination for foreign investment, and it has significantly advanced during Cartes' presidency."

Juan Francisco Facetti, member of the board of the Instituto de Desarrollo del Pensamiento Patria Soñada: "Cartes' opponents are not threatening his hold on power. The demonstration against Cartes' government, Congress and the judiciary did not exceed 700 individuals, a small number, considering the advance notice of the protest and good weather conditions that day. Cartes still has the strong support of chambers of commerce, as well as the majority of the lower house and nearly half of the Senate. Lugo is influential, as his Senate seat allows him to have important media exposure and to continually travel within the country to meet with leaders in small groups. Lugo also has strong links with Catholic Church bishops and priests who sympathize with Liberation Theology. He is also close to an internal faction of the Colorado Party led by Senator Mario Abdo Benítez. Cartes' economic management has been very good; economic growth has been sustained, and foreign direct investment has also been good. Cartes managed to slow down the rampant increase in the number of public workers that occurred during the three previous administrations. However, the economy's weak points are low customs revenues and a low level of tax compliance. Political management and

> **"Cartes' economic management has been very good...."**
>
> **— Juan Francisco Facetti**

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capital markets and international banking saw the biggest quarterly increases. Profit beat analysts' estimates, and the bank boosted its dividend 2.8 percent. Shares of Scotiabank rose by approximately 1.8 percent after the bank posted its fiscal third-quarter profit. Net income from international banking, boosted by increased contributions from fixed income, corporate banking, investment banking and precious metals, rose 10 percent to $450 million. Scotiabank, which has the most oil-and-gas loans of Canada's five largest banks, said impaired energy loans rose to approximately $280 million from $268 million the previous quarter, and $73 million a year earlier.

Porter // File Photo: Scotiabank.

Abengoa Planning to Resume Work on Chile Energy Plant

Spanish energy giant Abengoa plans to resume work on its $1 billion solar-thermal energy plant "Atacama I" in northern Chile, once agreements on the firm's debt-restructuring plan are completed, Bloomberg News reported Tuesday, citing individuals with knowledge of the matter. The news follows several months of concern after the company received bankruptcy protection in Spain and the United States, attempting to avoid what would have the largest insolvency in Spanish history. On Aug. 23, the company sold five of its U.S. ethanol processing plants for $357 million as it scrambled to avoid bankruptcy under $10.3 billion in debt, The Wall Street Journal reported. The company now appears to be preparing to move forward after repositioning. The plant is the first of its kind in Latin America.

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direct institutionalized dialogue with political parties has not existed. Instead, communication happens through contacts with leaders of the main factions who can get legislation passed in Congress. Reforms relating to the Supreme Court, the comptroller's office and other important institutions are still blocked, but the responsibility for this failure is shared with Congress."

Brian Turner, professor and chair of the Department of Political Science at Randolph-Macon College: "The Aug. 15 protests themselves present little threat to the Cartes government. The protesters' demands do not resonate with the ruling class, although their call for throwing out the conviction of 11 peasant farmers in the 2012 case from rural Curuguaty does tap the widespread belief that the prosecution was deeply flawed and highlights a general lack of confidence in institutions, especially the judiciary. President Lugo's Frente Guasú (Broad Front) is struggling for relevance as opposition momentum shifts to the Authentic Radical Liberal Party (PLRA) and its leading presidential candidate for 2018, Efraín Alegre. Lugo's group is still determining whether and under what terms it will join a coalition likely led by Alegre. A re-election bid, requiring a constitutional amendment, floated by Cartes supporters was recently turned back by dissident senators in Cartes' own Colorado Party and the opposition. More threatening to the government is the growing perception of insecurity in the country, both in urban areas and due to attacks by the rural guerrilla Paraguayan People's Army (EPP), which killed eight soldiers in an ambush on Aug. 27. The inability of the Joint Task Force (FTC) to defeat this small guerrilla group has led to calls for the dismantling of the FTC and accusations of high-level corruption in the military. Paraguay's macroeconomic performance has been solid, but the Cartes government has hardly moved the needle on tax reform for inclusive development, and infrastructure investment has been financed by debt for projects of questionable quality. The incremental improvements in some macroeconomic indicators convince few Paraguayans that the government has the political will or capacity to address the problems of weak institutions and an exclusionary development model."

> **"More threatening to the government is the growing perception of insecurity in the country...."**
>
> **— Brian Turner**

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

LATIN AMERICA ADVISOR

Energy Advisor

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

Michael Spak
Editorial Intern

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